



Bela Bela Local Municipality
(Registration number LIM 366)
Annual Financial Statements
for the year ended 30 June 2018

Bela Bela Local Municipality

(Registration number LIM 366)

Annual Financial Statements for the year ended 30 June 2018

General Information

| | |
|--|---|
| Legal form of entity | Local Municipality, governed by the MFMA (No 56 Of 2003) |
| Nature of business and principal activities | Local Municipality |
| Council | |
| Mayor | Hon. M.J Ngobeni |
| Executive Councillors | Cllr S.E Maluleka Cllr J.F. Van der merwe (Resigned) Cllr R.Z. Moeletsi Cllr M.H. Ledwaba Cllr M.D. Senosha Cllr F.S Hlungwane Cllr L.R. Modimola Cllr M.N Ras Cllr Y.M.S. Maletse Cllr M.A. Shika Cllr M.J. Makhubela Cllr S.D. Seale Cllr P.M Aphane Cllr K.F. Mothokwa Cllr T.R. Masemola Cllr A.R. Mosweou |
| Speaker | |
| Chief Whip | |
| Other Councillors | |
| Grading of local authority | Level 3 |
| Chief Finance Officer (CFO) | Mr. R.M Marutha |
| Accounting Officers | Mr. S.M Makhubela |
| Registered office | 58 Chris Hani Drive Bela Bela |
| Postal address | Bela Bela Local Municipality Private Bag X1609 Bela Bela 0480 |
| Bankers | Absa Bank Limited |
| Attorneys | Moloto Attorneys Mohale Incorporated Attorneys |
| Published | 31 August 2018 |

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| | |
|-------|---|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| IGRAP | Interpretation Generally Recognised Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

Bela Bela Local Municipality

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors were engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with GRAP including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, He is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is substantially dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Bela Bela Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The accounting officer certify that the salaries, allowances and benefits of councillors, loans made to councillors, if any, and payments made to councillors for loss of office, if any, as disclosed in note 36 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 4 to 89, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2018 and were signed on its behalf by:

Mr. S.M Makhubela
Municipal Manager

Bela Bela Local Municipality

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Accounting Officer's Report

The accounting officer submit's their report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

Net deficit of the municipality was 49,956,180 (2017: surplus 76,979,269).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the year ended, 30 June 2018.

4. Submission of annual financial statements

The annual financial statements were submitted on 31 August 2018. The municipality complied with the requirements of Section 126 of the Municipal Finance Management Act.

5. Accounting policies

The annual financial statements were prepared in accordance with the Generally Recognised Accounting Practices, including any interpretations of such Statements issued by the Accounting Standard Board.

6. Corporate governance

The Council

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality.

6.1 Fruitless and wasteful expenditure

The current year fruitless and wasteful expenditure amounting to R1 691 693,00 is due to interest charged and penalties.

6.2 Remuneration

The remuneration of the accounting officer and section 56 managers are determined by the upper limits for senior managers.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

6.3 Audit Committee

Mr. S.A.B Ngobeneni was the chairperson of the audit committee for the financial year under review.

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the audit committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors of the municipality onto the audit committee.

The audit committee term expired on the 31st January 2018

The new audit committee was appointed with effect from the 29th June 2018

Chairperson of audit & performance committee: Mr HSRR Nke

Member of audit & performance committee: Dr KF Netshiombo

Member of audit & performance committee: Ms AK Mabitsela

6.4 Internal audit

The municipality has an independent internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

The Manager of internal audit is Mr. M.C Kabe.

7. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

8. Auditors

Auditor General South Africa

9. Public Private Partnership

During the financial period under review, Bela Bela Local Municipality did not enter into any Public Private Partnerships.

Bela Bela Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

| Figures in Rand | Note(s) | 2018 | 2017 Restated* |
|---|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 10 | 206,228 | 203,621 |
| Receivables from exchange transactions | 11 | 2,296,087 | 1,813,802 |
| Receivables from non-exchange transactions | 12 | 18,495,717 | 805,178 |
| VAT | 13 | 14,177,649 | 18,159,941 |
| Consumer debtors from non-exchange transactions | 14 | 7,121,555 | 11,910,668 |
| Consumer debtors from exchange transactions | 14 | 9,875,522 | 12,746,106 |
| Sundry debtors | 8 | 1,053,326 | 5,643,117 |
| Agreements | 9 | 140,812 | 161,427 |
| Cash and cash equivalents | 15 | 3,611,736 | 1,301,041 |
| | | 56,978,632 | 52,744,901 |
| Non-Current Assets | | | |
| Investment property | 3 | 305,992,690 | 353,360,623 |
| Property, plant and equipment | 4 | 714,261,850 | 659,301,907 |
| Intangible assets | 5 | 1,439,917 | 2,139,990 |
| Heritage assets | 6 | 538,950 | 538,950 |
| Receivables from non-exchange transactions | 12 | 47,214 | - |
| Sundry debtors | 8 | - | 257,584 |
| | | 1,022,280,621 | 1,015,599,054 |
| Total Assets | | 1,079,259,253 | 1,068,343,955 |
| Liabilities | | | |
| Current Liabilities | | | |
| Finance lease obligation | 16 | 7,164,963 | 10,860,744 |
| Payables from exchange transactions | 20 | 302,389,456 | 110,441,656 |
| Consumer deposits | 21 | 5,649,712 | 5,450,132 |
| Unspent conditional grants and receipts | 17 | 879,851 | 25,502,791 |
| Provisions | 18 | 6,331,412 | 5,405,899 |
| Unknown deposits | 19 | 5,845,204 | 4,914,432 |
| | | 328,260,598 | 162,575,654 |
| Non-Current Liabilities | | | |
| Finance lease obligation | 16 | - | 7,669,361 |
| Employee benefit obligation | 7 | 41,613,870 | 39,188,870 |
| Provisions | 18 | 44,600,307 | 38,682,172 |
| | | 86,214,177 | 85,540,403 |
| Total Liabilities | | 414,474,775 | 248,116,057 |
| Net Assets | | 664,784,478 | 820,227,898 |
| Accumulated surplus | | 770,053,759 | 820,227,898 |

* See Note 45

Bela Bela Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

| Figures in Rand | Note(s) | 2018 | 2017 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 23 | 150,649,448 | 147,043,336 |
| Rental of facilities and equipment | 24 | 1,216,348 | 1,099,298 |
| Interest received | 27 | 9,281,544 | 10,479,479 |
| Licences and permits | | 3,925,789 | 3,256,242 |
| Administration and management fees received | | 231,792 | 396,756 |
| Commissions received | | 56,010 | 61,098 |
| Demand charges | | 619,167 | 210,524 |
| Other income | 26 | 3,419,003 | 1,404,953 |
| Town planning scheme | | 311,568 | 6,722,066 |
| Fair value adjustments | | 3,592,232 | 12,278,941 |
| Actuarial gains | | 2,648,000 | 2,768,924 |
| Total revenue from exchange transactions | | 175,950,901 | 185,721,617 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 28 | 62,003,315 | 62,467,982 |
| Transfer revenue | | | |
| Government grants and subsidies | 29 | 161,035,367 | 175,928,195 |
| Fines | | 12,988,578 | 12,756,400 |
| Total revenue from non-exchange transactions | | 236,027,260 | 251,152,577 |
| Total revenue | 22 | 411,978,161 | 436,874,194 |
| Expenditure | | | |
| Employee related costs | 30 | (124,678,318) | (109,988,986) |
| Remuneration of councillors | 31 | (7,096,289) | (6,618,101) |
| Depreciation and amortisation | 32 | (34,302,689) | (49,036,709) |
| Impairment loss/ Reversal of impairments | 33 | (24,776,266) | (237,576) |
| Finance costs | 34 | (12,295,197) | (10,317,130) |
| Debt impairment | 35 | (32,245,168) | (32,309,464) |
| Bulk purchases | 36 | (88,088,234) | (86,265,805) |
| Loss on disposal of assets | | (50,399,271) | (3,514,272) |
| General expenses | 37 | (90,422,422) | (61,606,882) |
| Total expenditure | | (464,303,854) | (359,894,925) |
| (Deficit) surplus for the year | | (49,956,180) | 76,979,269 |

The accounting policies on pages 14 to 44 and the notes on pages 45 to 88 form an integral part of the annual financial statements.

* See Note 45

Bela Bela Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|--|---------------------|--------------------|
| Balance at 01 July 2016 | 743,248,630 | 743,248,630 |
| Changes in net assets | | |
| Deficit for the year | 76,979,268 | 76,979,268 |
| Total changes | 76,979,268 | 76,979,268 |
| Restated* Balance at 01 July 2017 | 820,009,939 | 820,009,939 |
| Changes in net assets | | |
| Deficit for the year | (49,956,180) | (49,956,180) |
| Total changes | (49,956,180) | (49,956,180) |
| Balance at 30 June 2018 | 770,053,759 | 770,053,759 |

Cash Flow Statement

| Figures in Rand | Note(s) | 2018 | 2017 Restated* |
|---|---------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Property Rates | | 62,003,315 | 62,467,982 |
| Sale of goods and services | | 190,912,823 | 153,772,044 |
| Appropriation | | 136,412,428 | 166,996,956 |
| Interest income | | 9,281,544 | 10,479,479 |
| Other receipts | | 27,511,871 | 31,364,249 |
| | | <u>364,118,666</u> | <u>362,612,729</u> |
| Payments | | | |
| Employee costs | | (132,709,882) | (115,648,030) |
| Suppliers | | (17,625,267) | (66,561,335) |
| Other payments | | (88,088,234) | (86,265,805) |
| | | <u>(238,423,383)</u> | <u>(268,475,170)</u> |
| Net cash flows from operating activities | 41 | 125,695,283 | 94,137,581 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (127,825,690) | (110,071,993) |
| Proceeds from sale of property, plant and equipment | 4 | 6,100,087 | - |
| Proceeds from sale of investment property | 3 | 12,948,803 | - |
| Purchase of other intangible assets | 5 | (537,042) | (284,380) |
| Net cash flows from investing activities | | (109,313,842) | (110,356,373) |
| Cash flows from financing activities | | | |
| Finance lease payments | | (14,070,746) | (13,861,737) |
| Net cash flows from financing activities | | (14,070,747) | (13,861,737) |

* See Note 45

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Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

| | | |
|----|------------------|---------------------|
| | 2,310,694 | (30,080,529) |
| | 1,301,041 | 31,381,571 |
| 15 | 3,611,735 | 1,301,042 |

* See Note 45

Bela Bela Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|--------------------|----------------------|------------------------------------|--|-------------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Sale of goods | - | - | - | - | - | Note 52, N1 |
| Service charges | 178,780,000 | - | 178,780,000 | 150,649,448 | (28,130,552) | |
| Rental of facilities and equipment | 1,813,000 | - | 1,813,000 | 1,216,348 | (596,652) | |
| Interest received (trading) | 11,360,000 | - | 11,360,000 | 9,281,544 | (2,078,456) | |
| Licences and permits | 16,500,000 | - | 16,500,000 | 3,925,789 | (12,574,211) | Note 52, N2 |
| Administration and management fees received | - | - | - | 231,792 | 231,792 | |
| Commissions received | - | - | - | 56,010 | 56,010 | |
| Demand charges | - | - | - | 619,167 | 619,167 | |
| Other income | 4,059,000 | - | 4,059,000 | 3,419,003 | (639,997) | |
| Town planning scheme | - | - | - | 311,568 | 311,568 | |
| Total revenue from exchange transactions | 212,512,000 | - | 212,512,000 | 169,710,669 | (42,801,331) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 80,199,000 | (1,073,000) | 79,126,000 | 62,003,315 | (17,122,685) | Note 52, N3 |
| Transfer revenue | | | | | | |
| Government grants and subsidies | 163,943,000 | - | 163,943,000 | 161,035,367 | (2,907,633) | Note 52, N7 |
| Fines | 25,000,000 | - | 25,000,000 | 12,988,578 | (12,011,422) | |
| Other transfer revenue 1 | 77,639,000 | - | 77,639,000 | - | (77,639,000) | |
| Total revenue from non-exchange transactions | 346,781,000 | (1,073,000) | 345,708,000 | 236,027,260 | (109,680,740) | |
| Total revenue | 559,293,000 | (1,073,000) | 558,220,000 | 405,737,929 | (152,482,071) | |
| Expenditure | | | | | | |
| Personnel | (119,752,000) | - | (119,752,000) | (124,678,318) | (4,926,318) | |
| Remuneration of councillors | (6,947,328) | - | (6,947,328) | (7,096,289) | (148,961) | |
| Depreciation and amortisation | (32,000,004) | - | (32,000,004) | (34,302,689) | (2,302,685) | Note 52, N5 |
| Impairment loss/ Reversal of impairments | - | - | - | (24,776,266) | (24,776,266) | |
| Finance costs | (4,000,000) | - | (4,000,000) | (12,295,197) | (8,295,197) | |
| Debt impairment | (15,000,000) | (2,100,100) | (17,100,100) | (32,245,168) | (15,145,068) | |
| Bulk purchases | (94,595,004) | (2,900,000) | (97,495,004) | (88,088,234) | 9,406,770 | Note 52, N6 |
| General expenses | (115,808,000) | - | (115,808,000) | (84,625,359) | 31,182,641 | |
| Total expenditure | (388,102,336) | (5,000,100) | (393,102,436) | (408,107,520) | (15,005,084) | |
| Operating surplus / (deficit) | 171,190,664 | (6,073,100) | 165,117,564 | (2,369,591) | (167,487,155) | |
| Loss on disposal of assets and liabilities | - | - | - | (50,399,271) | (50,399,271) | |
| Fair value adjustments | 86,304,000 | - | 86,304,000 | 3,592,232 | (82,711,768) | |
| Actuarial gains/losses | - | - | - | 2,648,000 | 2,648,000 | |

Bela Bela Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|--------------------|--------------------|--|---|-----------|
| Figures in Rand | | | | | | |
| | 86,304,000 | - | 86,304,000 | (44,159,039) | (130,463,039) | |
| Surplus / (Deficit) before taxation | 257,494,664 | (6,073,100) | 251,421,564 | (46,528,630) | (297,950,194) | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 257,494,664 | (6,073,100) | 251,421,564 | (46,528,630) | (297,950,194) | |

Bela Bela Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|---------------------|-------------------------------------|--|
| 2018 | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | |
| Property rates | 80,199,000 | (1,073,000) | 79,126,000 | - | | 79,126,000 | 62,003,315 | | (17,122,685) | 78 % | 77 % |
| Service charges | 178,780,000 | - | 178,780,000 | - | | 178,780,000 | 150,649,448 | | (28,130,552) | 84 % | 84 % |
| Transfers recognised - operational | 77,639,000 | - | 77,639,000 | - | | 77,639,000 | 134,731,367 | | 57,092,367 | 174 % | 174 % |
| Other own revenue | 58,732,000 | - | 58,732,000 | - | | 58,732,000 | 40,670,544 | | (18,061,456) | 69 % | 69 % |
| Total revenue (excluding capital transfers and contributions) | 395,350,000 | (1,073,000) | 394,277,000 | - | | 394,277,000 | 388,054,674 | | (6,222,326) | 98 % | 98 % |
| Employee costs | (119,752,000) | - | (119,752,000) | - | - | (119,752,000) | (124,678,318) | - | (4,926,318) | 104 % | 104 % |
| Remuneration of councillors | (6,947,328) | - | (6,947,328) | - | - | (6,947,328) | (7,096,290) | - | (148,962) | 102 % | 102 % |
| Debt impairment | (15,000,000) | (2,100,100) | (17,100,100) | | | (17,100,100) | (32,245,168) | - | (15,145,068) | 189 % | 215 % |
| Depreciation and asset impairment | (32,000,004) | - | (32,000,004) | | | (32,000,004) | (59,078,955) | - | (27,078,951) | 185 % | 185 % |
| Finance charges | (4,000,000) | - | (4,000,000) | - | - | (4,000,000) | (12,295,197) | - | (8,295,197) | 307 % | 307 % |
| Materials and bulk purchases | (94,595,000) | (2,900,000) | (97,495,000) | - | - | (97,495,000) | (88,088,234) | - | 9,406,766 | 90 % | 93 % |
| Other expenditure | (121,359,000) | 5,551,000 | (115,808,000) | - | - | (115,808,000) | (140,832,693) | - | (25,024,693) | 122 % | 116 % |
| Total expenditure | (393,653,332) | 550,900 | (393,102,432) | - | - | (393,102,432) | (464,314,855) | - | (71,212,423) | 118 % | 118 % |
| Surplus/(Deficit) | 1,696,668 | (522,100) | 1,174,568 | - | | 1,174,568 | (76,260,181) | | (77,434,749) | (6,493)% | (4,495)% |

Bela Bela Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|-------------------|---|--------------------------|--|---|-------------------|---------------------|--------------------------|----------------------|-------------------------------------|--|
| Transfers recognised - capital | 86,304,000 | - | 86,304,000 | - | | 86,304,000 | 26,304,000 | | (60,000,000) | 30 % | 30 % |
| Surplus (Deficit) after capital transfers and contributions | 88,000,668 | (522,100) | 87,478,568 | - | | 87,478,568 | (49,956,181) | | (137,434,749) | (57)% | (57)% |
| Surplus/(Deficit) for the year | 88,000,668 | (522,100) | 87,478,568 | - | | 87,478,568 | (49,956,181) | | (137,434,749) | (57)% | (57)% |

Bela Bela Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits and other long term benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for debt impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|--|---------------------|---------------------|
| Land | Straight line | indefinite |
| Buildings | Straight line | 15 - 60 years |
| Leasehold property | Straight line | 5 years |
| Plant and machinery | Straight line | 4 - 5 years |
| Furniture and fixtures | Straight line | 5 years |
| Motor vehicles | Straight line | 5 - 10 years |
| Office equipment | Straight line | 5 years |
| IT equipment | Straight line | 3 years |
| Computer software | Straight line | 2 - 5 years |
| Ancillary fleet equipment and security | Straight line | 15 years |
| Artwork | Straight line | 5 years |
| Other equipment | Straight line | 5 years |
| Communication equipment | Straight line | 10 - 15 years |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|------|---------------------|---------------------|
|------|---------------------|---------------------|

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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Accounting Policies

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

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Accounting Policies

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Cash and cash equivalents
Receivables from exchange transactions
Receivables from non-exchange transactions
Agreements

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Payables from exchange transactions
Consumer deposits
Unknown deposits
Financial liabilities
Finance lease obligation

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

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Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Other long-term employee benefits

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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Accounting Policies

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Property rates

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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Accounting Policies

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Accounting Policies

1.23 Value Added Tax

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.24 Commitments

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.25 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Agreements

One of the key objectives of debt collection is to encourage debtors to start paying their monthly accounts in full. In addition it is also necessary to ensure that arrear debt is addressed. The current average balances on consumer accounts necessitates that innovative ideas be implemented to encourage consumers to pay off their arrears. At the same time it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.

Recognition

Agreements are recognised when a debtor enter into a payment arrangement with the municipality. The amount to be recognised in the financial statements as an agreement, for either less than 12 months or over 12 months, consists of the amount outstanding as receivables as at the reporting date.

Measurement

Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months. Agreements are measured at amortised cost, using the effective interest rate, less provision for impairment losses.

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1.29 Unknown deposits

Unknown deposits refer to amounts which were paid into municipal accounts without proper reference to be able to allocate amounts received to the correct debtor accounts or relevant vote accounts.

Recognition

Once the payment is received, the municipality will try to trace the amount to allocate it to the correct debtors or vote amount. After the municipality has exhausted all options, then the municipality will advertise to the public. Should the public not come to claim the amounts, then the municipality will classify the amount as revenue.

Measurement

The amount of unknown deposits is valued at fair value of the amount actually received.

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Notes to the Annual Financial Statements

Figures in Rand

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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Notes to the Annual Financial Statements

The effective date of the amendment is for years beginning on or after 01 April 2019

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and

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- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

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A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

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Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

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- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

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3. Investment property

| | 2018 | | | 2017 | | |
|---------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 305,992,690 | - | 305,992,690 | 328,076,974 | 25,283,649 | 353,360,623 |

Reconciliation of investment property - 2018

| | Opening balance | Fair value adjustments | Total |
|---------------------|--------------------|---------------------------|-------------|
| Investment property | 353,360,623 | (1,306,369) | 305,992,690 |

Reconciliation of investment property - 2017

| | Opening balance | Reclassify - cost | Fair value adjustments | Total |
|---------------------|--------------------|----------------------|---------------------------|-------------|
| Investment property | 343,027,146 | (1,945,464) | 12,278,941 | 353,360,623 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

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4. Property, plant and equipment

| | 2018 | | | 2017 | | |
|-------------------------|----------------------|---|--------------------|----------------------|---|--------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 23,900,387 | - | 23,900,387 | 23,900,387 | - | 23,900,387 |
| Buildings | 96,450,933 | (66,736,383) | 29,714,550 | 68,744,834 | (40,434,569) | 28,310,265 |
| Plant and machinery | 1,772,744 | (1,033,138) | 739,606 | 2,008,448 | (886,641) | 1,121,807 |
| Furniture and fixtures | 4,585,545 | (3,606,839) | 978,706 | 4,442,424 | (3,089,523) | 1,352,901 |
| Motor vehicles | 24,557,834 | (19,685,969) | 4,871,865 | 25,245,313 | (11,844,333) | 13,400,980 |
| Office equipment | 12,011,034 | (10,917,569) | 1,093,465 | 13,491,464 | (12,946,528) | 544,936 |
| Infrastructure | 1,063,179,118 | (557,767,671) | 505,411,447 | 1,007,808,516 | (549,415,681) | 458,392,835 |
| Community | 86,755,501 | (34,805,891) | 51,949,610 | 82,568,669 | (39,044,946) | 43,523,723 |
| Work in progress | 70,346,113 | - | 70,346,113 | 83,931,594 | - | 83,931,594 |
| Emergency equipment | 96,648 | (86,230) | 10,418 | 91,614 | (72,021) | 19,593 |
| Recreational facilities | 32,821,468 | (7,575,785) | 25,245,683 | 11,083,134 | (6,280,248) | 4,802,886 |
| Total | 1,416,477,325 | (702,215,475) | 714,261,850 | 1,323,316,397 | (664,014,490) | 659,301,907 |

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Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | Transfers | Derecognition acumulated depreciation | Reclassificatio n | Derecognition | Depreciation | Impairment loss | Total |
|-------------------------|--------------------|--------------------|---------------------|---|----------------------|--------------------|---------------------|---------------------|--------------------|
| Land | 23,900,387 | - | - | - | - | - | - | - | 23,900,387 |
| Buildings | 56,029,511 | - | - | - | - | - | (1,538,693) | (24,776,265) | 29,714,550 |
| Plant and machinery | 114,390 | 51,135 | - | 324,891 | - | (404,170) | (376,140) | - | 739,605 |
| Furniture and fixtures | 1,422,189 | 20,774 | - | 170,826 | - | (193,209) | (441,874) | - | 978,705 |
| Motor vehicles | 13,400,979 | - | - | 552,495 | - | (687,479) | (8,394,131) | - | 4,871,863 |
| Office equipment | 1,232,978 | 500,154 | - | 1,933,693 | - | (2,300,038) | (273,322) | - | - |
| Infrastructure | 490,909,771 | 34,149,640 | - | 1,791,007 | - | (2,189,541) | (19,249,430) | (449,991) | 505,411,447 |
| Community | 46,064,588 | 8,755,648 | - | 250,655 | - | (322,678) | (2,798,602) | (237,576) | 51,949,610 |
| Work in progress | 65,459,262 | 69,595,923 | (57,657,704) | - | (7,051,368) | - | - | (25,407,602) | 70,346,112 |
| Emergency equipment | 21,048 | - | - | 1,820 | - | (2,967) | (9,483) | - | 10,417 |
| Recreational facilities | 11,443,741 | 14,752,416 | - | - | - | - | (950,474) | - | 25,245,683 |
| | 709,998,844 | 127,825,690 | (57,657,704) | 5,025,387 | (7,051,368) | (6,100,082) | (34,032,149) | (50,871,434) | 714,261,849 |

Reconciliation of property, plant and equipment - 2017

| | Opening balance | Additions | Derecognition | Reclassify | Transfers to additions | Provision adjustment | Depreciation | Impairment loss | Derecognition (acc depr) | Total |
|-------------------------|--------------------|--------------------|---------------------|------------------|---------------------------|-------------------------|---------------------|--------------------|-----------------------------|--------------------|
| Land | 22,031,817 | - | - | 1,945,464 | - | - | - | (76,894) | - | 23,900,387 |
| Buildings | 29,848,959 | - | - | - | - | - | (1,538,694) | - | - | 28,310,265 |
| Plant and machinery | 744,610 | 726,399 | (56,191) | - | - | - | (345,859) | - | 52,848 | 1,121,807 |
| Furniture and fixtures | 875,574 | 934,188 | (302,916) | - | - | - | (434,836) | - | 280,891 | 1,352,901 |
| Motor vehicles | 21,852,859 | - | - | - | - | - | (8,451,879) | - | - | 13,400,980 |
| Office equipment | 4,429,792 | 219,622 | (239,790) | - | - | - | (4,094,798) | - | 230,110 | 544,936 |
| Infrastructure | 425,471,317 | 56,791,159 | (10,427,108) | - | - | 10,704,234 | (31,515,511) | - | 7,368,744 | 458,392,835 |
| Community | 25,604,325 | 20,986,487 | (938,169) | - | - | - | (2,485,606) | (160,683) | 517,369 | 43,523,723 |
| Work in progress | 53,529,659 | 108,179,580 | - | - | (77,777,645) | - | - | - | - | 83,931,594 |
| Emergency equipment | 15,658 | 12,203 | (1,636) | - | - | - | (8,211) | - | 1,579 | 19,593 |
| Recreational Facilities | 4,802,886 | - | - | - | - | - | - | - | - | 4,802,886 |
| | 589,207,456 | 187,849,638 | (11,965,810) | 1,945,464 | (77,777,645) | 10,704,234 | (48,875,394) | (237,577) | 8,451,541 | 659,301,907 |

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5. Intangible assets

| | 2018 | | | 2017 | | |
|---|---------------------|---|------------------|---------------------|---|------------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 1,497,130 | (702,877) | 794,253 | 1,927,266 | (432,939) | 1,494,327 |
| Rights to use naturally occurring assets | 645,664 | - | 645,664 | 645,663 | - | 645,663 |
| Total | 2,142,794 | (702,877) | 1,439,917 | 2,572,929 | (432,939) | 2,139,990 |

Reconciliation of intangible assets - 2018

| | Opening balance | Additions | Amortisation | Total |
|-------------------|--------------------|----------------|------------------|------------------|
| Computer software | 1,927,266 | 657,730 | (269,937) | 794,253 |
| Servitudes | 645,663 | - | - | 645,664 |
| | 2,572,929 | 657,730 | (269,937) | 2,960,723 |

Reconciliation of intangible assets - 2017

| | Opening balance | Accumulated Amortisation and accumulated impairment | Total |
|--|--------------------|---|------------------|
| Computer software | 1,927,266 | (432,939) | 1,494,327 |
| Rights to use naturally occurring assets | 645,663 | - | 645,663 |
| | 2,572,929 | (432,939) | 2,139,990 |

6. Heritage assets

| | 2018 | | | 2017 | | |
|----------------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical buildings | 538,950 | - | 538,950 | 538,950 | - | 538,950 |

Reconciliation of heritage assets 2018

| | Opening balance | Total |
|----------------------|--------------------|---------|
| Historical buildings | 538,950 | 538,950 |

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Reconciliation of heritage assets 2017

| | Opening balance | Total |
|----------------------|-----------------|---------|
| Historical buildings | 538,950 | 538,950 |

7. Employee benefit obligations

Post retirement Health Care Benefits Liability

Carrying value

| | | |
|---|---------------------|---------------------|
| Present value of the defined benefit obligation-wholly unfunded | (39,188,870) | (37,447,894) |
| Benefits paid | 1,229,000 | 1,131,324 |
| Current service cost | (2,266,000) | (2,025,000) |
| Net actuarial gain and losses | 2,659,000 | 2,965,700 |
| Interest cost | (4,047,000) | (3,813,000) |
| | (41,613,870) | (39,188,870) |

The municipality provides certain post retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aids Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by ZAQ Consultants and Actuaries, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. An actuarial valuation has been performed of the liability in respect of post-employment health care benefits to employees and retirees of Bela Bela Municipality and to their registered dependants.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

| | | |
|-----------------------------------|-----|-----|
| Current (In Service) Members | 242 | 222 |
| Continuation Members (Pensioners) | 23 | 27 |
| Total | 265 | 249 |

Net expense recognised in the statement of financial performance

| | | |
|--------------------------|------------------|------------------|
| Current service cost | 2,328,000 | 2,266,000 |
| Interest cost | 4,182,000 | 4,047,000 |
| Actuarial (gains) losses | (2,659,000) | (2,659,000) |
| | 3,851,000 | 3,654,000 |

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Calculation of actuarial gains and losses

The liability in respect of past service has been estimated as follows:

| | | |
|-----------------------------------|-------------------|-------------------|
| Current (In service) Members | 29,144,000 | 27,402,000 |
| Continuation Members (Pensioners) | 12,469,000 | 11,786,000 |
| | 41,613,000 | 39,188,000 |

The municipality makes monthly contributions of health care arrangements to the following medical aid schemes:

- Key Health
- Hosmed
- Bonitas
- Samwumed

Key assumptions used

Assumptions used at the reporting date:

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

The effect of the major categories of plan assets is as follow: [state effect]

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

The liability in respect of past service has been estimated as follows:

The liability at the valuation date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R for current service cost and R:

| | One percentage point increase | One percentage point decrease |
|---------------|-------------------------------------|--|
| Interest cost | 4,917,000 | 3,589,000 |
| Service cost | 2,889,000 | 1,892,000 |

Amounts for the current and previous four years are as follows:

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Defined benefit obligation | 5,854,000 | 5,037,000 | 4,671,000 | 4,403,000 | 2,527,592 |
| Surplus (deficit) | 5,854,000 | 5,037,000 | 4,671,000 | 4,403,000 | 2,527,592 |

8. Sundry debtors

| | | |
|------------------|------------------|------------------|
| Cash suspense RD | - | 1,104,563 |
| Other debtors | 1,053,326 | 556,658 |
| VAT suspense | - | 3,981,896 |
| | 1,053,326 | 5,643,117 |

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| 9. Agreements | | |
| Agreements consist of consumer debtors payment arrangements. Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months. | | |
| Short term agreements | 140,812 | 161,427 |
| 10. Inventories | | |
| Opening balance | 203,621 | 145,329 |
| Purchases | 2,607 | 5,141,308 |
| Sales | - | (1,592,432) |
| Distribution losses | - | (3,490,584) |
| | 206,228 | 203,621 |
| 11. Receivables from exchange transactions | | |
| WDM fire fighting | 2,291,460 | 857,156 |
| Sundry debtors | 4,627 | 956,646 |
| | 2,296,087 | 1,813,802 |
| 12. Receivables from non-exchange transactions | | |
| Opening balance | 805,178 | 31,505,316 |
| Fines issued | 12,991,600 | 12,756,400 |
| Payments | (3,135,809) | (1,371,902) |
| Representations | (1,299,700) | (2,806,810) |
| Write offs | - | (31,440,516) |
| Total fines | 17,198,579 | 8,642,488 |
| Provision for impairment | (3,463,775) | (7,837,310) |
| | 13,734,804 | 805,178 |
| Non-current assets | 47,214 | - |
| Current assets | 18,495,717 | 805,178 |
| | 18,542,931 | 805,178 |
| Reconciliation of provision for impairment of receivables from non-exchange transactions | | |
| Opening balance | (7,837,310) | (28,304,949) |
| Provision for impairment | (10,119,519) | 20,467,639 |
| | (17,956,829) | (7,837,310) |
| 13. VAT receivable | | |
| VAT | - | 18,159,941 |

Bela Bela Local Municipality

(Registration number LIM 366)

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Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|----------------------|----------------------|
| 14. Consumer debtors | | |
| Gross balances | | |
| Rates | 67,570,387 | 68,975,767 |
| Electricity | 11,660,373 | 11,308,067 |
| Water | 18,214,745 | 16,893,834 |
| Sewerage | 9,561,943 | 8,786,255 |
| Refuse | 4,295,565 | 4,086,671 |
| Other | 50,920,238 | 45,076,385 |
| | 162,223,251 | 155,126,979 |
| Less: Allowance for impairment | | |
| Rates | (60,448,832) | (57,065,099) |
| Electricity | (6,136,898) | (6,616,250) |
| Water | (16,891,289) | (15,127,259) |
| Sewerage | (8,741,867) | (7,458,188) |
| Refuse | (3,897,596) | (3,444,560) |
| Other | (49,109,693) | (40,758,847) |
| | (145,226,175) | (130,470,203) |
| Net balance | | |
| Rates | 7,121,555 | 11,910,668 |
| Electricity | 5,523,475 | 4,691,817 |
| Water | 1,323,456 | 1,766,574 |
| Sewerage | 820,075 | 1,328,067 |
| Refuse | 397,970 | 642,111 |
| Other | 1,810,545 | 4,317,537 |
| | 16,997,076 | 24,656,774 |
| Included in above is receivables from exchange transactions | | |
| Electricity | 5,523,475 | 4,691,817 |
| Water | 1,323,456 | 1,766,574 |
| Sewerage | 820,075 | 1,328,067 |
| Refuse | 397,970 | 642,111 |
| Other | 1,810,545 | 4,317,537 |
| | 9,875,521 | 12,746,106 |
| Included in above is receivables from non-exchange transactions (taxes and transfers) | | |
| Rates | 7,121,555 | 11,910,668 |
| Net balance | 16,997,076 | 24,656,774 |
| Rates | | |
| Current (0 -30 days) | 9,059,028 | 7,527,841 |
| 31 - 60 days | 3,612,539 | 3,070,029 |
| 61 - 90 days | 1,693,640 | 2,041,427 |
| 91 - 120 days | 1,643,573 | 1,879,674 |
| 121 - 365 days | 8,748,118 | 11,716,923 |
| > 365 days | 42,813,489 | 42,739,873 |
| | 67,570,387 | 68,975,767 |

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|------------------------|-------------------|-------------------|
| Electricity | | |
| Current (0 -30 days) | 6,552,377 | 4,358,067 |
| 31 - 60 days | 724,363 | 1,054,757 |
| 61 - 90 days | 189,485 | 447,766 |
| 91 - 120 days | 120,558 | 247,572 |
| 121 - 365 days | 547,492 | 1,750,007 |
| > 365 days | 3,526,098 | 3,449,898 |
| | 11,660,373 | 11,308,067 |
| Water | | |
| Current (0 -30 days) | 1,960,727 | 1,785,787 |
| 31 - 60 days | 1,046,893 | 919,329 |
| 61 - 90 days | 687,720 | 775,411 |
| 91 - 120 days | 379,777 | 562,893 |
| 121 - 365 days | 3,268,822 | 2,600,240 |
| > 365 days | 10,870,805 | 10,324,491 |
| | 18,214,744 | 16,968,151 |
| Refuse | | |
| Current (0 -30 days) | 551,003 | 613,913 |
| 31 - 60 days | 220,420 | 199,873 |
| 61 - 90 days | 147,608 | 150,188 |
| 91 - 120 days | 128,221 | 130,720 |
| 121 - 365 days | 696,606 | 571,730 |
| > 365 days | 2,551,708 | 2,420,247 |
| | 4,295,566 | 4,086,671 |
| Sewerage | | |
| Current (0 -30 days) | 1,223,246 | 1,261,582 |
| 31 - 60 days | 536,736 | 612,379 |
| 61 - 90 days | 390,878 | 499,872 |
| 91 - 120 days | 341,533 | 439,012 |
| 121 - 365 days | 1,935,979 | 2,080,324 |
| > 365 days | 5,133,571 | 3,893,086 |
| | 9,561,943 | 8,786,255 |
| Other (specify) | | |
| Current (0 -30 days) | 7,858,319 | (130,470,203) |

Bela Bela Local Municipality

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Notes to the Annual Financial Statements

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|--|----------------------|----------------------|
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 7,455,273 | 6,394,127 |
| 31 - 60 days | 2,467,927 | 1,504,807 |
| 61 - 90 days | 657,822 | 813,084 |
| 91 - 120 days | 529,777 | 525,237 |
| 121 - 365 days | 2,998,692 | 3,101,927 |
| > 365 days | 17,199,225 | 16,691,692 |
| | 31,308,716 | 29,030,874 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 11,084,169 | 7,600,100 |
| 31 -60 days | 2,920,735 | 3,061,365 |
| 61 - 90 days | 2,413,595 | 2,381,248 |
| 91 - 120 days | 1,753,707 | 2,127,755 |
| 121 - 365 days | 10,485,051 | 12,269,116 |
| > 365 days | 51,835,431 | 41,096,594 |
| | 80,492,688 | 68,536,178 |
| National and provincial government | | |
| Current (0 -30 days) | 943,263 | 1,038,243 |
| 31 - 60 days | 625,007 | 740,040 |
| 61 - 90 days | 438,215 | 441,439 |
| 91 - 120 days | 340,195 | 344,268 |
| 121 - 365 days | 2,422,451 | 1,728,460 |
| > 365 days | 4,868,421 | 5,354,656 |
| | 9,637,552 | 9,647,106 |
| Other | | |
| Current (0 -30 days) | 3,668,228 | 3,178,130 |
| 31 - 60 days | 1,607,426 | 1,876,371 |
| 61 - 90 days | 1,501,046 | 1,372,330 |
| 91 - 120 days | 1,229,891 | 1,303,184 |
| 121 - 365 days | 6,908,831 | 7,508,447 |
| > 365 days | 25,868,873 | 32,674,359 |
| | 40,784,295 | 47,912,821 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (130,470,203) | (114,362,683) |
| Debt impairment written off against allowance | (14,755,971) | (16,107,520) |
| | (145,226,174) | (130,470,203) |

15. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|------------------|------------------|
| Cash on hand | 4,091 | 3,997 |
| Bank balances | 6,261 | - |
| Short-term deposits | 5,617,393 | 1,108,911 |
| Bank balances | (2,016,009) | 188,133 |
| | 3,611,736 | 1,301,041 |

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Notes to the Annual Financial Statements

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|-----------------|------|------|
|-----------------|------|------|

Credit quality of cash at bank and short term deposits, excluding unspent conditional grant

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating

| | | |
|---------------------------------|------------------|---------------------|
| Investment | 5,617,393 | 1,114,038 |
| Cash and cash equivalent | 538,982 | 781,391 |
| Less: Unspent Conditional Grant | (879,851) | (25,502,790) |
| | 5,276,524 | (23,607,361) |

Cash and cash equivalents pledged as collateral

| | | |
|---|---------|---------|
| Total financial assets pledged as collateral Local Guarantees | 800,000 | 800,000 |
|---|---------|---------|

The above guarantee is pledged to Eskom by means of the Absa Bank Call account with the number 2066701092. The valuation amount for the current year ended 30 June 2018: R800,000 (2017: R800,000)

Current Account (Primary Bank Account)

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|------------------|-------------------|--------------------|------------------|-------------------|
| | 30 June 2018 | 30 June 2017 | 30 June 2016 | 30 June 2018 | 30 June 2017 | 30 June 2016 |
| ABSA BANK - Current Account - 13-3000-0062 | 754,839 | 778,159 | 3,236,039 | 292,514 | 184,906 | 1,069,343 |
| ABSA BANK - Account Type- Deposit - 20-6670-1092 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |
| FNB Limited - Call Account - 62045841485 | 290,919 | 280,689 | 270,093 | 280,689 | 280,689 | 270,093 |
| ABSA BANK - Account Type - Call Account - 40-7374-1532 | 2,200 | 4,062 | 3,835 | 4,061 | 4,062 | 3,835 |
| ABSA BANK - Account Type - Call Account - 40-7836-0937 | 733,594 | 3,227 | 50,891 | 4,817,393 | 3,227 | 50,891 |
| ABSA BANK - Account Type - Call Account - 40-8793-8456 | (70) | 103 | 1,065 | 103 | 103 | 1,065 |
| ABSA BANK - Account Type - Call Account - 40-7846-2834 | 960 | 6,262 | 189,705 | 6,261 | 6,262 | 189,705 |
| ABSA BANK - Account Type - Call Account - 40-8793-8854 | 4,985 | 3,396 | 8,242 | (46,501) | 3,396 | 8,242 |
| ABSA BANK - Account Type - Call Account - 92-9574-5884 | 1,852 | 829 | 30,469 | (223,735) | 829 | 30,469 |
| ABSA BANK - Account Type - Call Account - 92-9574-6149 | 9,564 | 282 | 23,941,662 | (227,988) | 282 | 23,941,662 |
| ABSA BANK - Account Type - Call Account - 92-9662-0730 | 519,037 | 13,288 | 11,139 | 449,588 | 13,288 | 11,139 |
| Total | 3,117,880 | 1,890,297 | 28,543,140 | 6,152,385 | 1,297,044 | 26,376,444 |

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| Figures in Rand | 2018 | 2017 |
|--|------------------|-------------------|
| 16. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | 8,099,402 | 13,133,665 |
| - in second to fifth year inclusive | - | 8,099,402 |
| - later than five years | - | - |
| | 8,099,402 | 21,233,067 |
| less: future finance charges | (934,439) | (2,702,962) |
| Present value of minimum lease payments | 7,164,963 | 18,530,105 |
| Non-current liabilities | - | 7,669,361 |
| Current liabilities | 7,164,963 | 10,860,744 |
| | 7,164,963 | 18,530,105 |

Bela-Bela has leased motor vehicle from Bertobite Pty (Ltd) and Telephone System equipment's from Intuate for a period of 36 months. Bertobite Pty (Ltd) lease agreement is effective from 01 February 2016 to 31 January 2019. The Intuate lease agreement is effective from the 1st November 2015 to the 31st October 2019.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| | | |
|--|----------------|-------------------|
| Unspent conditional grants and receipts | | |
| Financial Management Grant | 879,851 | 13,509,522 |
| Municipal System Infrastructure Grant (MSIG) | - | 268 |
| Department of Water and Forestry Grant (DWAF) | - | 105 |
| Integration National Electrification Programme | - | 11,993,002 |
| Expanded Public Works Programme (EPWP) | - | (106) |
| | 879,851 | 25,502,791 |

Movement during the year

| | | |
|--------------------------------------|----------------|-------------------|
| Balance at the beginning of the year | 25,502,791 | 25,502,790 |
| Additions during the year | 879,851 | - |
| Income recognition during the year | (25,502,791) | - |
| | 879,851 | 25,502,790 |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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|-----------------|------|------|
|-----------------|------|------|

18. Provisions

Reconciliation of provisions - 2018

| | Opening Balance | Additions | Total |
|---------------------------------|-------------------|------------------|-------------------|
| Rehabilitation of landfill site | 38,682,172 | 5,918,135 | 44,600,307 |
| Performance bonus | 368,897 | 108,515 | 477,412 |
| Long service award provision | 5,037,002 | 816,998 | 5,854,000 |
| | 44,088,071 | 6,843,648 | 50,931,719 |

Reconciliation of provisions - 2017

| | Opening Balance | Additions | Utilised during the year | Total |
|---------------------------------|-------------------|-------------------|--------------------------|-------------------|
| Rehabilitation of landfill site | 25,796,438 | 12,885,734 | - | 38,682,172 |
| Performance bonus | 451,690 | - | (82,793) | 368,897 |
| Long service award provision | 4,671,002 | 366,000 | - | 5,037,002 |
| | 30,919,130 | 13,251,734 | (82,793) | 44,088,071 |

| | | |
|-------------------------|-------------------|-------------------|
| Non-current liabilities | 44,600,307 | 38,682,172 |
| Current liabilities | 6,331,412 | 5,405,899 |
| | 50,931,719 | 44,088,071 |

Rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2018 by Environmental and Sustainability Solutions CC. It is calculated as the present value of the future obligation, discounted at prime interest rate. The following key assumptions were used: CPI of 4.4805% (2017: 5.6372%), discount rate of 7.4805% (2017: 8.1372%) and net effective discount rate of 3% (2017: 2.5%). The remaining estimated life of the landfill site of 10 years is used in the discounted calculation of the provision.

Provision for rehabilitation of landfill sites:

Carrying value

| | | |
|---|-------------------|-------------------|
| Balance at the beginning of the year | 38,682,172 | 25,796,438 |
| Changes in provision for landfill closure | 2,770,489 | 10,704,235 |
| Interest charge | 3,147,646 | 2,181,499 |
| Total Recognised Liability | 44,600,307 | 38,682,172 |

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Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by ZAQ Consultants and Actuaries, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

For the year ended 30 June 2018, 389 (2017: 350) employees were eligible for long service awards.

The current service cost for the year ending 30 June 2018 is estimated to be R 533 000 (2017: R 534 000).

The principal assumptions used for the purpose of the actuarial valuations were as follows:

| | | |
|-----------------------------|-------------------|-------------------|
| Discount rate used | Yield curve | Yield curve |
| Salary increase rate | Equal to | Equal to |
| | CPI+1% | CPI+1% |
| Net effective discount rate | Yield curve based | Yield curve based |

Movement in the present value of the defined benefit obligation were as follows:

Carrying value

| | | |
|---|------------------|------------------|
| Balance at the beginning of the year | 5,037,000 | 4,671,000 |
| Current service cost | 533,000 | 534,000 |
| Interest cost | 525,000 | 464,000 |
| Benefits paid | (252,000) | (828,776) |
| Actuarial (gain) / losses | 11,000 | 196,776 |
| Total recognised benefit liability | 5,854,000 | 5,037,000 |

The amounts recognised in the Statement of Financial Performance are as follows:

| | | |
|---|------------------|------------------|
| Current service cost | 533,000 | 534,000 |
| Interest cost | 525,000 | 464,000 |
| Actuarial (gains) losses | 11,000 | 196,776 |
| Total post retirement benefit included in employee related costs | 1,069,000 | 1,194,776 |

The liability at the valuation date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R596 0000 for current service cost and R598 000 for interest costs the effect is as follows:

| | One percentage point increase | One percentage point decrease |
|---|-------------------------------------|--|
| Effect on the aggregate of the service cost and interest cost | 650,000 | 548,000 |
| Effect on defined benefit obligation | 643,000 | 558,000 |
| | 1,293,000 | 1,106,000 |

Amounts for the current and previous year are as follows:

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Defined benefit obligation | 5,854,000 | 5,037,000 | 4,671,000 | 4,403,000 | 2,527,592 |
| Plan assets | - | - | - | - | - |
| Surplus (deficit) | 5,854,000 | 5,854,000 | 4,671,000 | 4,403,000 | 2,527,592 |

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Performance bonus

Chapter 3 of government gazette no 290289, of 01 August 2006, government: municipal performance regulations for municipal managers and managers directly accountable to municipal managers stipulate that, performance bonus ranging between 5% to 14% of the all-inclusive remuneration package may be paid to an employee in recognition of outstanding performance.

Management has made provision for performance bonus based at 10% of annual remuneration of section 56 managers.

19. Unknown deposit

| | | |
|------------------|-----------|-----------|
| Unknown deposits | 5,845,204 | 4,914,432 |
|------------------|-----------|-----------|

Deposits receipts into municipal accounts without proper reference to be able to allocate it to correct debtor accounts or relevant accounts.

20. Payables from exchange transactions

| | | |
|-------------------------------|--------------------|--------------------|
| Trade payables | 235,706,725 | 69,404,127 |
| Payments received in advanced | 41,166,279 | 17,569,512 |
| Year end accruals | - | 456,149 |
| Accrued leave pay | 8,247,817 | 8,093,854 |
| 13th cheque | - | 2,065,282 |
| Accrued payroll expenses | 7,775,899 | 2,802,168 |
| Retention creditors | 9,384,066 | 9,632,997 |
| Deposits on sale of land | - | 417,567 |
| Other Creditors | 108,670 | - |
| | 302,389,456 | 110,441,656 |

21. Consumer deposits

| | | |
|------------------|-----------|-----------|
| Deposit received | 5,649,712 | 5,450,132 |
|------------------|-----------|-----------|

22. Revenue

| | | |
|---|--------------------|--------------------|
| Rendering of services | 3,044,690 | - |
| Service charges | 150,649,448 | 147,043,336 |
| Rental of facilities and equipment | 1,216,348 | 1,099,298 |
| Interest received (trading) | 9,281,544 | 10,479,479 |
| Licences and permits | 3,925,789 | 3,256,242 |
| Administration and management fees received | 231,792 | 396,756 |
| Commissions received | 56,010 | 61,098 |
| Demand charges | 619,167 | 210,524 |
| Traffic fines | 3,419,003 | 1,404,953 |
| Town planning scheme | 311,568 | 6,722,066 |
| Property rates | 62,003,315 | 62,467,982 |
| Government grants & subsidies | 161,035,367 | 175,928,195 |
| Traffic fines | 12,988,578 | 12,756,400 |
| | 408,782,619 | 421,826,329 |

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|---|--------------------|--------------------|
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Service charges | 150,649,448 | 147,043,336 |
| Rendering of services | 3,044,690 | - |
| Rental of facilities and equipment | 1,216,348 | 1,099,298 |
| Interest received (trading) | 9,281,544 | 10,479,479 |
| Licences and permits | 3,925,789 | 3,256,242 |
| Administration and management fees received | 231,792 | 396,756 |
| Commissions received | - | 61,098 |
| Demand charges | - | 210,524 |
| Traffic fines | 3,419,003 | 1,404,953 |
| Town planning scheme | 311,568 | 6,722,066 |
| | 172,080,182 | 170,673,752 |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Property rates | 62,003,315 | 62,467,982 |
| Transfer revenue | | |
| Government grants & subsidies | 161,035,367 | 175,928,195 |
| Traffic fines | 12,988,578 | 12,756,400 |
| | 236,027,260 | 251,152,577 |
| 23. Service charges | | |
| Sale of electricity | 103,166,813 | 102,848,230 |
| Sale of water | 25,122,231 | 23,259,071 |
| Solid waste | 7,259,742 | 6,073,808 |
| Sewerage and sanitation charges | 15,100,662 | 14,862,227 |
| | 150,649,448 | 147,043,336 |
| 24. Rental of facilities and equipment | | |
| Facilities and equipment | | |
| Rental of facilities | 1,264,211 | 1,099,298 |
| 25. Other income | | |
| Insurance claims | 231,792 | 396,756 |
| Fire brigade levies | - | 61,098 |
| Meter testing | - | 210,524 |
| Other income - (rollup) | 3,419,003 | 1,404,953 |
| Town Planning Scheme | 311,568 | 162,741 |
| Cemetery fees | - | 351,774 |
| Surplus cash | - | 6,207,551 |
| | 3,962,363 | 8,795,397 |
| 26. Fines | | |
| Traffic fines | 12,988,578 | 12,756,400 |

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|-----------------|------|------|
|-----------------|------|------|

27. Interest received

| | | |
|---|------------------|-------------------|
| Interest received - Investments | 178,572 | 2,583,439 |
| Interest charged on trade and other receivables | 9,102,973 | 7,896,040 |
| | 9,281,545 | 10,479,479 |

28. Property rates

Rates received

| | | |
|----------------|------------|------------|
| Property rates | 62,003,315 | 62,467,982 |
|----------------|------------|------------|

Valuations

Valuations of properties are performed every 5 years as required by Municipal Property Rates Acts as amended. The last general valuation came into effect on 1 June 2016. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations, subdivisions, consolidations and other alterations as stipulated in the Municipal Property Rates Act.

The rate randages are as follows:

Farms agricultural is R0.0066
Farms Agricultural (Bona Fide) R0.0026
Residential properties R0.0106
Government properties R0.0133
Business / Industrial R0.0133 and
Vacant land R0.0140

The summary of the valuation roll are as follows:

| CATEGORY | MARKET VALUE |
|---|--------------------|
| 1 : RESIDENTIAL | R3,667,770,000.00 |
| 2 : BUSINESS & COMMERCIAL | R738,219,000.00 |
| 3 : INDUSTRIAL | R15,400,000.00 |
| 4 : ACCOMMODATION ESTABLISHMENT | R62,051,000.00 |
| 5 : PROPERTIES USED FOR PUBLIC BENEFIT ACTIVITIES | R54,217,000.00 |
| 6 : FARMS RESIDENTIAL | R631,632,000.00 |
| 7 : FARMS AGRICULTURAL | R3,818,881,000.00 |
| 8 : FARMS BUSINESS & COMMERCIAL | R586,359,000.00 |
| 9 : FARMS VACANT LAND | R528,796,000.00 |
| 10 : FARMS OTHER | R45,635,000.00 |
| 11 : SMALLHOLDING RESIDENTIAL | R123,903,000.00 |
| 12 : SMALLHOLDING AGRICULTURAL | R18,803,000.00 |
| 13 : SMALLHOLDING BUSINESS & COMMERCIAL | R39,994,000.00 |
| 14 : SMALLHOLDING VACANT LAND | R167,484,000.00 |
| 15 : SMALLHOLDING OTHER | R393,000.00 |
| 17 : PSI | R8,433,000.00 |
| 18 : PRIVATE OPEN SPACE | R15,959,000.00 |
| 19 : VACANT BUSINESS & COMMERCIAL/INDUSTRIAL LAND | R8,616,000.00 |
| 20 : VACANT RESIDENTIAL LAND | R776,268,000.00 |
| 21 : MUNICIPAL PROPERTY | R21,078,000.00 |
| Total : | R11,329,891,000.00 |

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|-----------------|------|------|
|-----------------|------|------|

29. Government grants and subsidies

Operating grants

| | | |
|---|--------------------|--------------------|
| Equitable share | 74,938,790 | 68,411,000 |
| Finance Management Grant | 1,700,000 | 1,625,000 |
| Municipal System Improvement Grant | 152,358 | - |
| SETA | - | 307,956 |
| Extended Public Works Program | 1,000,000 | 1,082,000 |
| Municipal Water Infrastructure Grant | 33,983,324 | 30,000,000 |
| Intergration National Electrification Programme | 22,956,895 | 16,006,998 |
| | 134,731,367 | 117,432,954 |

Capital grants

| | | |
|--------------------------------|--------------------|--------------------|
| Municipal Infrastructure Grant | 26,304,000 | 58,495,241 |
| | 161,035,367 | 175,928,195 |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Finance Management Grant

| | | |
|---|-------------|-------------|
| Balance unspent at beginning of year | (33) | (33) |
| Current-year receipts | 1,700,000 | 1,625,000 |
| Conditions met - transferred to revenue | (1,700,000) | (1,625,000) |
| | (33) | (33) |

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

The conditions of the grant are as follows:

- Appointment of an appropriately skilled municipal manager and CFO
- Appointment of at least two interns for purposes of building future financial management capacity
- Council resolution committing council to reforms
- Submission of primary bank account details
- Development of an action plan for implementation
- Monthly reporting on performance

Municipal System Infrastructure Grant

| | | |
|--------------------------------------|-----|-----|
| Balance unspent at beginning of year | 268 | 268 |
|--------------------------------------|-----|-----|

Conditions still to be met - remain liabilities (see note 17).

Municipal Systems Improvement Grant (MSIG) deals with transfers to assist municipalities with building in-house capacity to perform their functions and stabilise institutional and governmental systems

Department of Water and Forestry Grant

| | | |
|---|----------------|------------|
| Balance unspent at beginning of year | 105 | 105 |
| Current-year receipts | 35,000,000 | - |
| Conditions met - transferred to revenue | (34,069,806) | - |
| | 930,299 | 105 |

Conditions still to be met - remain liabilities (see note 17)

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|-----------------|------|------|

The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and the environment, through effective policies, integrated planning, strategies, knowledge base and procedures

Municipal Infrastructure Grant

| | | |
|---|--------------|-------------------|
| Balance unspent at beginning of year | 13,509,788 | 34,434,029 |
| Current-year receipts | 26,304,000 | 37,571,000 |
| Conditions met - transferred to revenue | (26,304,000) | (58,495,241) |
| Offset against prior year unspent grant | (13,509,788) | - |
| | - | 13,509,788 |

Conditions still to be met - remain liabilities (see note 17) The Municipal Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to municipalities. The key principles underpinning the design of the MIG are outlined below:

- Focus on infrastructure required for a basic level of service: The MIG programme is aimed at providing only basic infrastructure.
- Targeting the poor: The programme is aimed at providing services to the poor and funds will therefore be targeted to reach them.
- Maximising economic benefits: The programme will be managed to ensure that the local economic spin-offs through providing infrastructure are maximised. This includes employment creation and the development of enterprises.
- Equity in the allocation and use of funds: The mechanism for distributing funds must provide for equitable access to such funds by the poor in order to make uniform progress in closing the infrastructure gap.

SETA Grant

| | | |
|---|----------|-----------|
| Current-year receipts | - | 307,956 |
| Conditions met - transferred to revenue | - | (307,956) |
| | - | - |

Conditions still to be met - remain liabilities (see note 17).

The grant is utilised for training of officials in the municipality

Disaster Management Grant

| | | |
|--------------------------------------|-------|-------|
| Balance unspent at beginning of year | (234) | (234) |
|--------------------------------------|-------|-------|

Conditions still to be met - remain liabilities (see note 17).

The grant is utilised to fund relief operations after disasters within the jurisdiction of the municipality. The municipality were declared a disaster in March 2014. All condition relating to the grant were met during the 2014 financial year and the balance is carried forward from previous year. The amount which is considered immaterial will be taken to council during the 2018 financial year to be written off after following relevant process

Expanded Public Works Program

| | | |
|---|--------------|--------------|
| Balance unspent at beginning of year | (106) | (106) |
| Current-year receipts | 1,000,000 | 1,082,000 |
| Conditions met - transferred to revenue | (1,000,000) | (1,082,000) |
| | (106) | (106) |

Conditions still to be met - remain liabilities (see note 17).

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines

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|--|---------------|-------------------|
| Integrated National Electrification Programme | | |
| Balance unspent at beginning of year | 11,993,002 | - |
| Current-year receipts | 25,000,000 | 28,000,000 |
| Conditions met - transferred to revenue | (24,927,935) | (16,006,998) |
| Offset against prior year unspent grant | (11,993,002) | - |
| | 72,065 | 11,993,002 |

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to facilitate the planning, funding and implementation of national electrification projects and all related bulk infrastructure

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| 30. Employee related costs | | |
| Acting allowances | 2,598,297 | 1,552,261 |
| Bargaining Council | 834,253 | - |
| Basic | 68,464,313 | 63,748,293 |
| Bonus | 4,858,302 | 5,126,466 |
| Transport allowance | 7,384,564 | 6,645,724 |
| Cellphone Allowance | 964,661 | 1,338,525 |
| Fire Allowance | 12,900 | - |
| Housing allowance | 341,746 | 342,062 |
| Leave pay | 3,852,288 | 1,443,238 |
| Long Service Award | 391,175 | - |
| Current Service Cost | 2,266,000 | 2,559,000 |
| Medical aid | 6,123,118 | 5,302,101 |
| Non Pension | - | 507,157 |
| Overtime payments | 11,168,344 | 6,668,003 |
| Post-employment benefits - pension | 14,593,616 | 12,387,982 |
| SDL | 1,226,103 | 1,316,159 |
| UIF | 615,824 | 1,052,015 |
| | 125,695,504 | 109,988,986 |

Remuneration of Municipal Manager

| | | |
|---|----------------|------------------|
| Remuneration | 79,260 | 941,777 |
| Car Allowance | 32,466 | 385,916 |
| Contributions to UIF, Medical and Pension Funds | 18,500 | 220,429 |
| Cellphone allowance | 2,263 | 27,156 |
| Other allowances | - | 229,127 |
| | 132,489 | 1,804,406 |

The Municipal Manager resigned on the 31st July 2017.

Remuneration of Municipal Manager

| | | |
|---|----------------|----------|
| Annual Remuneration | 197,952 | - |
| Car Allowance | 77,862 | - |
| Contributions to UIF, Medical and Pension Funds | 40,037 | - |
| Cellphone Allowance | 5,997 | - |
| | 321,848 | - |

The Municipal manager was appointed on the 1st April 2018.

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|-----------------|------|------|

Remuneration of Chief Finance Officer

| | | |
|---|----------------|----------|
| Annual Remuneration | 125,415 | - |
| Car Allowance | 50,853 | - |
| Contributions to UIF, Medical and Pension Funds | 27,589 | - |
| Cellphone allowance | 5,997 | - |
| | 209,854 | - |

The Chief Financial Officer was appointed on the 1st April 2018.

Acting Chief Financial Officer

| | | |
|---|------------------|----------|
| Annual Remuneration | 473,052 | - |
| Car Allowance | 156,704 | - |
| Contributions to UIF, Medical and Pension Funds | 107,866 | - |
| Telephone | 23,988 | - |
| Other allowances (Acting Allowance) | 272,338 | - |
| | 1,033,948 | - |

The CFO resigned on the 31st of August 2016.

Remuneration of Corporate Services Manager

| | | |
|---|----------------|----------|
| Annual Remuneration | 137,913 | - |
| Car Allowance | 58,116 | - |
| Contributions to UIF, Medical and Pension Funds | 36,884 | - |
| Cellphone Allowance | 5,997 | - |
| Other allowances (Acting allowance) | 107,893 | - |
| | 346,803 | - |

The corporate manager was appointed on the 1st April 2018.

Acting Corporate Services Manager

| | | |
|---|----------------|----------|
| Annual Remuneration | 473,052 | - |
| Car Allowance | 161,852 | - |
| Contributions to UIF, Medical and Pension Funds | 105,883 | - |
| Cellphone allowance | 23,988 | - |
| Other allowances (Acting allowance) | 178,229 | - |
| | 943,004 | - |

The position of Corporate Services manager is vacant.

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|-----------------|------|------|
|-----------------|------|------|

Remuneration Acting Planning and Economic Development Manger

| | | |
|---|----------------|----------|
| Annual Remuneration | 354,789 | - |
| Car Allowance | 119,910 | - |
| Contributions to UIF, Medical and Pension Funds | 99,134 | - |
| Cellphone Allowance | 17,991 | - |
| Other | 107,893 | - |
| | 699,717 | - |

Remuneration of Planning and Economic Development Manager

| | | |
|---|----------------|------------------|
| Annual Remuneration | 216,707 | 638,097 |
| Car Allowance | 91,116 | 270,770 |
| Contributions to UIF, Medical and Pension Funds | 62,094 | 183,101 |
| Cellphone allowance | 6,000 | 18,000 |
| Other allowances | 75,250 | 148,635 |
| | 451,167 | 1,258,603 |

The Manager Planning and Economic Development resigned on the 31st October 2017.

Remuneration of Social and Community Services Manager

| | | |
|------------------|----------------|----------------|
| Acting allowance | 243,390 | 170,339 |
| | 243,390 | 170,339 |

The Manager of social and community services was vacant during the current year.

Remuneration of Technical Services Manager

| | | |
|---|----------------|------------------|
| Annual Remuneration | 470,908 | 597,849 |
| Car Allowance | 199,881 | 254,920 |
| Contributions to UIF, Medical and Pension Funds | 143,580 | 181,255 |
| Cellphone allowance | 13,500 | 18,000 |
| Other allowances (Acting allowance) | 139,022 | 148,074 |
| | 966,891 | 1,200,099 |

The Manager of Technical Services resigned on the 30th March 2018

Remuneration of Acting Technical Services Manager

| | | |
|---|----------------|----------|
| Annual Remuneration | 473,052 | - |
| Car Allowance | 154,405 | - |
| Contributions to UIF, Medical and Pension Funds | 159,095 | - |
| Cellphone Allowance | 23,988 | - |
| Other allowances (Acting Allowance) | 60,130 | - |
| | 870,670 | - |

The manager road and storm water acting at Technical manager from 1st March 2018.

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|--|----------------|----------|
| Acting Remuneration of HOD Planning manager | | |
| Remuneration | 473,052 | - |
| Car Allowance | 161,852 | - |
| Contributions to UIF, Medical and Pension Funds | 105,883 | - |
| Cellphone Allowance | 23,988 | - |
| Other allowances (Acting Allowance) | 53,947 | - |
| | 818,722 | - |

The manager council admin acting from 1st April 2018

31. Remuneration of councillors

| | | |
|-----------------------------|------------------|------------------|
| Mayor | 843,134 | 782,737 |
| Chief Whip | 641,332 | 583,293 |
| Executive Committee Members | 2,492,142 | 2,333,495 |
| Speaker | 654,570 | 542,293 |
| Councillors | 2,465,111 | 2,376,283 |
| | 7,096,289 | 6,618,101 |

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Reconciliation of councillors - 2018

| | Position | Annual salary | Travelling allowance | Medical | Backpay | Pension contribution @ 15% | Cell allowance | Mobile data | Total |
|--------------|-----------------|------------------|----------------------|----------------|----------------|----------------------------|----------------|---------------|------------------|
| Ngobeni MJ | Mayor - FT | 469,953 | 193,454 | 42,725 | 32,609 | 70,493 | 30,300 | 3,600 | 843,134 |
| Moeletsi RZ | Speaker- FT | 477,043 | - | 43,884 | 28,187 | 71,556 | 30,300 | 3,600 | 654,570 |
| Ledwaba MH | EC Member- FT | 378,489 | 145,088 | - | 27,082 | 56,773 | 30,300 | 3,600 | 641,332 |
| Maluleka SE | EC Member- FT | 341,887 | 145,088 | 42,397 | 27,082 | 51,283 | 30,300 | 3,600 | 641,637 |
| VD Merwe JF | EC Member- PT | 231,758 | - | - | 21,496 | 34,764 | 23,500 | 3,000 | 314,517 |
| Shika MA | Chair PED-PT | 194,583 | 78,141 | 9,134 | 28,015 | 29,187 | 30,300 | 3,600 | 372,960 |
| Modimola LR | Chair MPAC- PT | 242,519 | 33,670 | - | 28,015 | 36,378 | 30,300 | 3,600 | 374,482 |
| Malete YMS | Chair Sec 79-PT | 210,915 | 78,141 | 31,248 | 28,015 | 31,637 | 30,300 | 3,600 | 413,856 |
| Aphane PM | Chair Sec 79-PT | 175,204 | 78,141 | 33,149 | 28,015 | 26,281 | 30,300 | 3,600 | 374,689 |
| Mosoeu AR | Councillor-PT | 140,939 | 60,885 | 20,748 | 24,148 | 21,141 | 30,300 | 3,600 | 301,761 |
| Seale SD | Councillor-PT | 181,658 | 34,650 | - | 24,148 | 27,249 | 30,300 | 3,600 | 301,605 |
| Hlungwani FS | Councillor-PT | 159,280 | 62,964 | 30,401 | 24,148 | 20,679 | 30,300 | 3,600 | 331,372 |
| Masemola TR | Councillor-PT | 176,535 | 26,235 | 14,400 | 24,148 | 26,480 | 30,300 | 3,600 | 301,698 |
| Mothokwa KF | Councillor-PT | 196,334 | - | 34,837 | 24,148 | 29,450 | 30,300 | 3,600 | 318,669 |
| Makhubela MJ | Councillor-PT | 158,843 | 60,885 | - | 24,148 | 23,826 | 30,300 | 3,600 | 301,602 |
| Ras MN | Councillor-PT | 216,307 | - | - | 24,148 | 32,446 | 30,300 | 3,600 | 306,801 |
| Senosha MD | Councillor-PT | 158,843 | 60,885 | - | 24,148 | 23,826 | 30,300 | 3,600 | 301,602 |
| | | 4,111,090 | 1,058,227 | 302,923 | 441,700 | 613,449 | 508,300 | 60,600 | 7,096,287 |

Reconciliation of councillors - 2017

| | Position | Annual salary | Travelling allowance | Medical | Backpay | Reimbursement | Pension contribution @ 15% | Cell allowance | Mobile data | Total |
|-------------|----------------|---------------|----------------------|---------|---------|---------------|----------------------------|----------------|-------------|---------|
| Ngobeni MJ | Mayor -FT | 461,934 | 185,872 | 38,920 | 321 | - | 69,290 | 22,800 | 3,600 | 782,737 |
| Moeletsi RZ | Speaker -FT | 428,076 | - | 31,330 | 297 | - | 58,390 | 20,900 | 3,300 | 542,293 |
| Ledwaba MH | Chief Whip -FT | 393,598 | 94,752 | - | 260 | 9,243 | 59,040 | 22,800 | 3,600 | 583,293 |

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| | | | | | | | | | | |
|---------------|-----------------|------------------|----------------|----------------|---------------|----------------|----------------|----------------|---------------|------------------|
| Maluleka SE | EC Member - FT | 352,851 | 144,415 | 38,423 | 424 | 6,164 | 52,928 | 22,800 | 3,600 | 621,604 |
| VD Merwe JF | EC Member - PT | 273,192 | - | - | 112 | - | 40,979 | 22,800 | 3,600 | 340,683 |
| Shika MA | EC Member - PT | 179,660 | 56,201 | 12,661 | 7,138 | 7,058 | 26,949 | 20,900 | 3,300 | 313,867 |
| Modimola LR | EC Member - PT | 248,013 | 11,050 | - | 7,176 | 2,034 | 37,202 | 22,800 | 3,600 | 331,875 |
| Hlungwane FS | EC Member - PT | 177,573 | 75,163 | 26,442 | 7,195 | 14,595 | 26,636 | 22,800 | 3,600 | 354,004 |
| Aphane PM | EC Member - PT | 170,518 | 73,361 | 30,193 | 7,195 | 38,218 | 25,578 | 22,800 | 3,600 | 371,462 |
| Mosoeu AR | Councillor -PT | 149,558 | 43,790 | - | 5,628 | 3,500 | 22,434 | 20,900 | 3,300 | 249,110 |
| Seale SD | Councillor -PT | 145,418 | 43,790 | - | 5,628 | 3,500 | 21,813 | 20,900 | 3,300 | 244,349 |
| Malete YMS | Councillor -PT | 137,601 | 40,433 | 26,918 | 5,628 | 8,146 | 20,640 | 20,900 | 3,300 | 263,566 |
| Masemola TR | Councillor -PT | 178,483 | - | 10,021 | 5,628 | 3,500 | 26,772 | 20,900 | 3,300 | 248,604 |
| Mothokwa KF | Councillor -PT | 182,829 | - | 5,586 | 5,628 | 3,792 | 27,424 | 20,900 | 3,300 | 249,460 |
| Makhubela MJ | Councillor -PT | 183,503 | - | - | 5,628 | 3,500 | 27,526 | 20,900 | 3,300 | 244,357 |
| Ras MN | Councillor -PT | 201,994 | - | - | 5,443 | - | 30,299 | 22,800 | 3,300 | 263,836 |
| Senosha MD | Councillor -PT | 151,489 | 58,070 | - | 5,591 | 8,621 | 22,723 | 22,800 | 3,600 | 272,894 |
| Sesane MJ | Councillor - PT | 29,458 | - | - | 321 | - | 4,419 | 3,478 | 600 | 38,276 |
| Malete GT | Councillor - PT | 22,954 | - | - | 335 | - | 3,443 | 3,478 | 600 | 30,810 |
| Monanyane M | Councillor - PT | 24,146 | 6,109 | - | 354 | - | 3,622 | 3,478 | 600 | 38,309 |
| Nhlapo ML | Councillor - PT | 53,759 | 21,098 | 6,946 | 335 | - | 8,064 | 3,478 | 600 | 94,280 |
| Radebe RM | Councillor - PT | 37,678 | 15,824 | 11,612 | 424 | - | 5,652 | 3,478 | 600 | 75,268 |
| Mahlangu PM | Councillor - PT | 17,215 | 6,359 | - | 321 | - | 2,582 | 3,478 | 600 | 30,555 |
| Mokgethoa WKR | Councillor - PT | 18,575 | 6,813 | - | 354 | - | 2,786 | 3,478 | 600 | 32,606 |
| | | 4,220,075 | 883,100 | 239,052 | 77,364 | 111,871 | 627,191 | 396,746 | 62,700 | 6,618,098 |

In-kind benefits

The mayor, speaker and chief whip are full-time. Each is expected to be provided with an office and secretarial support at the cost of the Council.

The remuneration of Councillors and political office-bearers are within the upper limits

32. Depreciation and amortisation

Property, plant and equipment
Intangible assets

| | |
|-------------------|-------------------|
| 34,032,751 | 49,036,709 |
| 269,938 | - |
| 34,302,689 | 49,036,709 |

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|-----------------|------|------|

33. Impairment of assets

Impairments

| | | |
|-------------------------------|------------|---------|
| Property, plant and equipment | 24,776,266 | 237,576 |
|-------------------------------|------------|---------|

Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

34. Finance costs

| | | |
|-----------------------------|-------------------|-------------------|
| Finance leases | 4,827,551 | 3,858,631 |
| Interest on landfill site | 3,147,646 | 2,181,499 |
| Employee benefit obligation | 4,320,000 | 4,277,000 |
| | 12,295,197 | 10,317,130 |

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| 35. Debt impairment | | |
| Debt impairment - traffic fines | 11,332,744 | 13,779,686 |
| Debt impairment - consumer debtors | 20,912,424 | 18,529,778 |
| | 32,245,168 | 32,309,464 |
| 36. Bulk purchases | | |
| Electricity | 80,149,242 | 81,124,497 |
| Water | 7,938,992 | 5,141,308 |
| | 88,088,234 | 86,265,805 |
| 37. General expenses | | |
| Advertising | 608,078 | 460,867 |
| Auditors remuneration | 4,500,127 | 2,716,970 |
| Bank charges | 1,171,916 | 989,484 |
| Cleaning | 253,652 | 203,201 |
| Commission paid | 5,268,087 | 4,282,411 |
| Consulting and professional fees | 12,639,780 | 3,230,450 |
| Debt collection | 3,886,886 | 1,919,663 |
| Entertainment | 4,709 | 2,969 |
| Internal audit | 3,615 | 395,663 |
| Mayoral bursary | - | 720 |
| Insurance excess payments | 699,764 | - |
| IT expenses | 4,144,582 | 3,326,458 |
| Lease rentals on operating lease | 10,230,219 | 11,770,946 |
| Fuel and oil | 3,560,301 | 3,681,630 |
| Recruitment costs | 59,737 | 57,529 |
| Postage and courier | 378,138 | 524,389 |
| Printing and stationery | 511,089 | 801,362 |
| Protective clothing | 1,642,724 | - |
| Town planning cost | - | 10,750 |
| Repairs and maintenance | 6,214,625 | 7,806,277 |
| Research and development costs | - | 103,155 |
| Subscriptions and membership fees | 3,359,272 | 254,800 |
| Telephone and fax | 1,896,376 | 797,137 |
| Extinguish material | - | 3,296 |
| Local economic development | - | 688,010 |
| Community outreach program | 1,397,580 | 1,360,876 |
| Inventory Consumed | - | 1,969,728 |
| Valuation costs | - | 752,318 |
| Risk and asset management | - | 3,094,970 |
| Delegation costs | 1,587,160 | 1,797,094 |
| Contracted Services | 25,758,313 | 7,275,899 |
| Capacity building | 575,791 | 637,040 |
| Chemicals | 69,901 | 690,820 |
| | 90,422,422 | 61,606,882 |
| 38. Actuarial Gain / (Loss) | | |
| Actuarial gain / (loss) - post employment medical aid | - | (196,776) |
| Actuarial gain / (loss) - long service award | 2,648,000 | 2,965,700 |
| | 2,648,000 | 2,768,924 |

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| 39. Fair value adjustments | | |
| Investment property (Fair value model) | 3,592,232 | 12,278,941 |
| 40. Auditors' remuneration | | |
| Fees | 4,500,737 | 2,716,970 |
| 41. Cash generated from operations | | |
| (Deficit) surplus | (49,956,180) | 76,979,269 |
| Adjustments for: | | |
| Depreciation and amortisation | 37,126,192 | 49,036,709 |
| Loss on disposal of assets | 49,928,714 | 3,514,272 |
| Actuarial gains / losses | (2,684,000) | (2,768,924) |
| Fair value adjustments | 2,792,232 | (12,278,941) |
| Finance costs - Finance leases | 2,705,604 | 3,858,631 |
| Landfill interest | 3,147,646 | 2,181,499 |
| Provision for leave and bonus | (23,591,591) | 726,172 |
| Impairment loss | 24,776,266 | 237,576 |
| Debt impairment | 32,245,168 | 32,309,464 |
| Finance cost - employee cost | 4,047,000 | 4,277,000 |
| Provision - landfill movement | 3,696,002 | 283,207 |
| Provision - employee benefits | 1,026,000 | 232,900 |
| Changes in working capital: | | |
| Inventories | (2,607) | (58,292) |
| Receivables from exchange transactions | (8,140,513) | (18,520,253) |
| Consumer receivables | (18,041,839) | (20,420,692) |
| Receivables from exchange transactions | (482,285) | (426,871) |
| Agreements | (37,152) | 559,152 |
| Payables from exchange transactions | 58,094,039 | (5,179,368) |
| VAT | 3,982,292 | (12,038,105) |
| Unspent conditional grants and receipts | (24,622,940) | (8,931,239) |
| Consumer deposits | 199,582 | 99,314 |
| Sundry debtors | 4,740,594 | 5,456,912 |
| Unknown deposits | 930,772 | (4,991,811) |
| | 101,878,996 | 94,137,581 |

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|-----------------|------|------|

42. Commitments

Capital commitments

Already contracted for but not provided for

| | | |
|---------------------------------|------------|------------|
| • Property, plant and equipment | 70,276,068 | 22,299,993 |
|---------------------------------|------------|------------|

Not yet contracted for and authorised by accounting officers

| | | |
|---------------------------------|-------------|-------------|
| • Property, plant and equipment | 135,165,355 | 306,602,582 |
|---------------------------------|-------------|-------------|

Total capital commitments

| | | |
|--|--------------------|--------------------|
| Already contracted for but not provided for | 70,276,068 | 22,299,993 |
| Not yet contracted for and authorised by accounting officers | 135,165,355 | 306,602,582 |
| | 205,441,423 | 328,902,575 |

Operational expenditure

Operating expenditure approved and contracted

| | | |
|---------------------------|------------|-----------|
| • Operational commitments | 18,061,554 | 9,699,277 |
|---------------------------|------------|-----------|

Total operational commitments

| | | |
|---|------------|-----------|
| Already contracted for but not provided for | 18,061,554 | 9,699,277 |
|---|------------|-----------|

This committed expenditure relates to property plant and equipment as required by GRAP 19 and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

The municipality owns properties that are leased out to the employees for the period not exceeding 12 months. The Municipality leases land to various entities for the purposes of farming and network equipment transmission. Lease periods range from five to ten years. Additional text

Operating leases - as lessee (expense)

Minimum lease payments due

| | | |
|-------------------------------------|------------------|-------------------|
| - within one year | 7,117,359 | 9,883,406 |
| - in second to fifth year inclusive | 916,547 | 6,237,319 |
| | 8,033,906 | 16,120,725 |

Operating lease payments represent rental payable by the municipality to the following service providers:

Nashua - we lease printers from Nashua for a period of 36 months, effective from 24 July 2014. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

Fedeliity - we have a lease with Fedeliity Cash Solution for a period of 3 years, effective from 1 August 2017. The lease payment is R9 920 (vat excl) per month with an annual escalation of 9.5%. The lease agreement is not renewable at the end of the lease term. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

Bertobrite Fleet Management - we lease vehicles from Bertobrite Fleet Management for a period of 36 months, effective from 01 February 2016. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

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| Operating leases - as lessor (income) | | |
| Minimum lease payments due | | |
| - within one year | - | 564,592 |
| - in second to fifth year inclusive | - | 385,663 |
| - later than five years | - | 79,960 |
| | - | 1,030,215 |

The municipality owns properties that are leased out to the employees for the period not exceeding 12 months. The Municipality leases land to various entities for the purposes of farming and network equipment transmission. Lease periods range from five to ten years.

43. Contingencies

Dikala Plant Hire CC.

On 26 November 2015, Dikala issued an application in the North Gauteng High Court for inter alia, an order that the termination of the Service Level Agreement was unlawful and that the Joint Venture agreement between Dikala and BBT had been cancelled. The further ancillary relief was for the Court to order the Municipality to pay all arrear and future payments directly into the account of Dikala. The matter was heard on the 24 October 2016. It is confirmed that on 9 November 2016 Judgment was delivered in favor of Dikala Plant Hire CC and against the Municipality and BBT. The Municipality's legal department together with the external legal team is of the view that the judge erred in his findings as he did not fully understand the matter as highlighted in his judgment. As a result, the Municipality instructed its legal team to appeal the judgment. Currently, leave to appeal has been granted the appeal will be heard on 19 March 2019 in the Supreme Court of Appeal, Bloemfontein. The claim is estimated at a cost of R44 013 809.

Fawcett Security Services

Fawcett Security services was contracted with Bela-Bela Local Municipality to render security services. The Municipality terminated the services of the above mentioned security company due to poor performance and non-compliance with some of the clauses of the Service Level Agreement as agreed upon between the Municipality and the Security Company. Upon termination of the contract the Security company approached the courts and instituted legal actions against the Municipality. The Sheriff served combined summons at records on the 27 January 2016 which does not constitute proper service and subsequent to that Fawcett Security obtained default judgment against the Municipality as the summons were not attended to. It is confirmed that the default judgment has since been set aside by the High Court. Pleadings have been exchanged and the matter is ready to be set down for trial. Fawcett currently has a duty to set the matter down as the Plaintiff in the matter, they have however requested a settlement from the Municipality instead. It is not advised that the Municipality enters into a settlement agreement at this stage as it has a strong defense. The estimated value of the claim is R7 472 502.

Malebye Business Enterprises CC t/a Malebye Petroleum // NTK Limpopo Agric Limited and 5 Others

On 12 July 2018 the Municipality was served with another application by Malebye Business Enterprises CC for the High Court in Polokwane to grant an order directing NTK Limpopo Agric Limited to cease all retailing activities on their property situated at Pienaarsrivier in the ordinary course of events. They further requested for the Municipality to provide them with a report setting out the legislative framework for issuing of approval of building plans, zoning requirements, compliance with servitudes amongst others. Their contention is that the Municipality in approving the building plans it did not comply with the Town Planning Scheme and the title conditions applicable to the property. That the Municipality did not properly consider the restrictive title condition, the fuel tanks that had to be placed under ground nor the servitude that formed a natural boundary between the applicant's property and NTK. Therefore leaving their rights being infringed by all the Respondents including the Municipality. The Application has a three (3) part Notice of Motion and the Municipality is the First Respondent, whilst our Building Control officers are cited as the Seventh and Ninth Respondent in the proceedings. There is no monetary claim and the only financial risk is that of attorneys and counsel. The estimated value of the claim is R680 000

44. Related parties

Relationships

Accounting Officers

Members of key management

Refer to accounting officers' report note

Refer to note 30 & 31

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45. Prior period errors

During the 2011/17 financial year we identified that: Property,

1.1 During the assessment of Work In Progress (WIP) it was identified that the cost of WIP was understated. The effect of the correction on the municipalities financial results is shown below:

1.2 During the assessment of useful lives of movable assets for the year ended 30 June 2017, the useful life of certain assets was increased. The result of the error was an understatement of net assets for 2016/2017 financial year. The effect of the correction on the municipalities financial results is shown below:

1.3 During the assessment of the movable assets, it was noted that there were assets with zero balances but previously omitted in the fixed assets register. The effect of the correction on the municipalities financial results is shown below:

The correction of the error(s) results in adjustments as follows:

| | Audited AFS 30-Jun-2017 | Restated AFS 30-Jun-2017 | Restatements |
|---|------------------------------------|-------------------------------------|---------------------|
| Pave Access road and fence graveyard | 2,216,213 | 2,449,723 | (233,510) |
| Bela Bela High Upgrade Sports facilities (Bela Bela Stadium) | 3,721,612 | 4,458,774 | (737,162) |
| Limpopo Street: Construction of open, concrete lined stormwater channel | 10,099,449 | 10,508,899 | (409,450) |
| Bulk infrastructure ext 9 | 4,797,037 | 4,158,556 | 638,481 |
| Multi Purpose Centre - Extension 6 | 12,722,701 | 19,032,430 | (6,309,728) |
| | 33,557,012 | 40,608,382 | (7,051,369) |

| | Audited AFS 30-Jun-2017 | Restated AFS 30-Jun-2017 | Restatements |
|------------------------|------------------------------------|-------------------------------------|---------------------|
| Furniture and Fittings | 315,557 | 57,844 | (257,713) |
| Computer Equipment | 57,213 | 57,213 | - |
| Office Equipment | 262,242 | 262,242 | - |
| Plant and Equipment | 117,332 | 21,356 | (95,976) |
| Emergency Equipment | 8,003 | 1,455 | (6,548) |
| Accumulated surplus | - | - | (139,112) |
| | 760,347 | 400,110 | (499,349) |

| | Audited AFS 30-Jun-2017 | Restated AFS 30-Jun-2017 | Restatements |
|----------------------------|------------------------------------|-------------------------------------|---------------------|
| Computer Equipment | 856,768 | 544,936 | 311,832 |
| Emergency Equipment | 19,594 | 19,593 | 1 |
| Furniture And Fittings | 1,364,345 | 1,352,901 | 11,444 |
| Office Equipment | 317,753 | - | 317,753 |
| Plant and Equipment | 1,122,534 | 1,121,807 | 727 |
| Vehicles | 13,400,980 | 13,400,980 | - |
| Accumulated surplus | 17,081,974 | 16,440,217 | 641,757 |

46. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality manages liquidity risk through ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared.

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Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Market risk

47. Unauthorised expenditure

| | | |
|--------------------------|--------------|-------------------|
| Unauthorised expenditure | 40,046,173 | 40,046,173 |
| Amount write off | (40,046,173) | - |
| | - | 40,046,173 |

48. Fruitless and wasteful expenditure

| | | |
|--|------------------|------------------|
| Fruitless and wasteful expenditure | 2,203,436 | 1,475,961 |
| Add: Fruitless and Wasteful Expenditure - current year | 1,691,693 | 2,203,436 |
| Less: Amounts write off | (2,029,986) | (1,475,961) |
| | 1,865,143 | 2,203,436 |

The current year fruitless and wasteful expenditure amounting to R1 691 693 relates to interest charge on late payment of invoices from Eskom (R1 526 420), Auditor General (R63 517), NTK (R917), Magalies (R85 839), Pension fund (R14 802), Provident fund (R198)

49. Irregular expenditure

| | | |
|---|------------------|-------------------|
| Opening balance | 27,793,338 | 826,639 |
| Add: Irregular Expenditure - current year | 6,347,575 | 1,540,191 |
| Add: Irregular expenditure - current year after audit | - | 26,699,593 |
| Less: Amounts write off | (30,869,366) | (1,129,262) |
| Less: Prior Period Error Correction | - | (143,823) |
| | 3,271,547 | 27,793,338 |

Included in the current year Irregular expenditure is R641,422.55 relating to services rendered with service providers while the contract has expired.

The amount of Irregular expenditure spent during the 2017/2018 financial year was submitted for investigation and subsequent to that, was written off by council as required by section 32 of the MFMA.

Irregular expenditure of R27 793 338 for 2016/2017 financial year was written-off. A further R3 076 027.91 was written-off for contract declared as irregular by Auditor General and payments made in 2017/2018.

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|---|------------------|------------------|
| 50. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government | | |
| Current year fee | 1,269,370 | 1,172,291 |
| Material losses through criminal conduct | | |
| Opening balance | 991,148 | 858,454 |
| Amount paid - current year | 806,679 | 132,694 |
| Amount Recovered - current year | (693,106) | - |
| | 1,104,721 | 991,148 |
| Audit fees | | |
| Opening balance | 2,522,206 | 342,571 |
| Current year fee | 2,846,515 | 4,896,605 |
| Amount paid - current year | (1,590,901) | (2,716,970) |
| | 3,777,820 | 2,522,206 |
| PAYE and UIF | | |
| Opening balance | 1,224,374 | 1,136,690 |
| Current year fee | 17,679,919 | 14,436,155 |
| Amount paid - current year | (16,275,819) | (14,348,471) |
| | 2,628,474 | 1,224,374 |
| Pension and medical aid deductions | | |
| Opening balance | 775,170 | 775,170 |
| Current year fee | 30,611,919 | - |
| Amount paid - current year | (28,015,849) | - |
| | 3,371,240 | 775,170 |

VAT

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

| 30 June 2018 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|--------------|-------------------------------------|-------------------------------------|---------------|
| Moswoeu AR | 33 | - | 33 |
| Moeletsi R | 1,222 | - | 1,222 |
| Ledwaba H | 3,390 | 5,488 | 8,878 |
| Maluleka SE | 836 | - | 836 |
| Shika MA | 474 | - | 474 |
| Modimola LR | 569 | - | 569 |
| Seale JERL | 920 | - | 920 |
| Malete YMS | 769 | 60 | 829 |
| Masemola TR | 1,646 | - | 1,646 |
| Hlungwani FS | 474 | - | 474 |
| Mothokwa HP | 434 | - | 434 |
| Makhubela MJ | 997 | - | 997 |
| Ras MN | 2,067 | - | 2,067 |
| | 13,831 | 5,548 | 19,379 |

| 30 June 2017 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|--------------------|-------------------------------------|-------------------------------------|---------------|
| MH Ledwaba | 3,669 | 3,043 | 6,712 |
| YMS Malete | 2,505 | 183 | 2,688 |
| RZ Moeletsi | 916 | - | 916 |
| REMM Mseze | 3,191 | 2,551 | 5,742 |
| NJ Senosha | 1,782 | 1,578 | 3,360 |
| JERL Seale | 1,613 | - | 1,613 |
| TR Masemola | 1,129 | - | 1,129 |
| LR Mpete | 626 | - | 626 |
| SS Steward | 304 | 3,685 | 3,989 |
| FS Hlungwani | 546 | - | 546 |
| SE Maluleka | 2,754 | 810 | 3,564 |
| MJ Ngobeni | 397 | - | 397 |
| MJ Makhubela | 451 | - | 451 |
| HP MOthokwa | 324 | - | 324 |
| JFMP Van Der Merwe | 4,807 | - | 4,807 |
| | 25,014 | 11,850 | 36,864 |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

| 30 June 2018 | Highest outstanding amount | Aging (in days) |
|--------------|----------------------------------|--------------------|
| Ledwaba H | 5,272 | 180 |

51. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

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|-----------------|------|------|
|-----------------|------|------|

52. Budget differences

N1: Result of lower consumption

N2: Unexpected decrease due to relocation of licensing department

N3: Budget process took into account new valuation roll without considering subsequent objections to the valuation roll

N4: The variance is attributable to increase on long service award and landfill

N5: The variance is as a result of increased write-off which were identified as irrecoverable

N6: The decrease was as a result of lower spending

N7: Additional grant was received during the financial year

53. Deviation from supply chain management regulations

Paragraph 36(2) of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances

Sole suppliers
Emergency
Impracticality

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

| | 2018 | 2017 |
|-------------------------------|----------|----------|
| Deviation from SCM regulation | R943 893 | R447 748 |

The municipality incurred enrolment fees and accommodation costs for Training of Traffic Officers. Road Traffic Management Corporation (RTMC) is the custodian (Sole supplier) of Traffic Officers Training in South Africa

Part of the deviation amount relates to appointment of a service provider to investigate unauthorised debit order which were going through the traffic fines management bank account

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54. Distribution Losses

With regard to losses on electricity. Technical losses occur when power dissipates in the transmission lines and in transformers due to electrical resistance. Contributing factors to these losses are: system failures, unbalanced loading, overloading, low voltage, load shedding and deteriorating infrastructure.

Non technical losses are due to consumers or personnel actions. Contributing factors are: power theft, meter tampering, meter by pass, illegal connections, unpaid bills, consumer non payment and faulty meters.

With regard to losses on water. Technical losses occur when water is lost in the reticulation lines and in treatment plants due to backwash. Contributing factors to these losses are: system failures, unbalanced network, high pressure, pipe burst and deteriorating infrastructure.

Non technical losses on water are due to consumers or personnel actions. Contributing factors are: water theft, meter tampering, meter by pass, illegal connections, no billing, unpaid bills, consumer non payment and faulty meters and delay by operators to repair reported leakages

| | | | | |
|------|-------------------------|--------------|--------------------|--------------|
| 2018 | Description | Water | Electricity | Total |
| | Purchases (KI/Kwh) | 2030568 | 91580487 | - |
| | Sales (KI/Kwh) | 1362390 | 79332209 | - |
| | Losses (KI or Kwh) | 668178 | 12248278 | - |
| | Amount of Losses in R' | 7811001 | 15245431 | 2,305,432 |
| | Percentage Losses | 32,91% | 13,37% | - |
| | Avoidable Losses | | | |
| | Units (KI/Kwh) | | 567951 | 11023450 |
| | Amounts 'R | | 6639351 | 13720888 |
| | Percentage Losses | | 17,91% | 3,37% |
| | Technical Losses | | | |
| | Units (KI/Kwh) | 100227 | 1224828 | |
| | Amounts (R) | 1171650 | 1524543 | 2 696 193 |
| | Percentage | 15 % | 10% | |
| 2017 | Description | Water | Electricity | Total |
| | Purchases | 2594260 | 93345528 | - |
| | Sales | 1915158 | 79310109 | - |
| | Losses (KI or Kwh) | 679102 | 14035419 | - |
| | Amount of Losses in R' | 3490584 | 19269226 | 22,549,784 |
| | Percentage Losses | 26.18 % | 15.04 % | - |
| | Avoidable Losses | | | |
| | Units (KI/Kwh) | 464486 | 701771 | |
| | Amounts (R) | 2 387 458 | 942 127 | 3 329 585 |
| | Percentage | 10,19% | 15,44% | |
| | Technical Losses | | | |
| | Units (KI/Kwh) | 256766 | 13333648 | |
| | Amounts (R) | 1 319 777 | 17 900 422 | 19 220 199 |
| | Percentage | 10% | 10% | |

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2018

2017

55. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix G3 for the comparison of actual operating expenditure versus budgeted expenditure.

56. Decommissioning, restoration and environmental rehabilitation funds

The municipality is a contributor to the following fund(s): Fund 1 and Fund 2.

57. Budget differences

Material differences between budget and actual amounts

N1 - Result of lower consumption

N2 - Vacant unit increased and resulted in decrease in rental

N3 - Unexpected decrease due to relocation of licensing department

N4 - Increase in demand

N5 - Increase in the number of third parties

N6 - In response to poor cashflow, Surplus cash was invested to yield additional income

N7 - Budget process took into account new valuation roll without considering subsequent objections to the valuation roll

N8 - Additional grant was received during the financial year

N9 - The variances is attributable to increased interest on long services award and landfill.

N10 - The variance is as result of increased write off which were identified as irrecoverable.

N11 - Municipality incurred more than that of previous year as part of the plan in the renewal programme of the infrastructure.

N12 - The decrease was as a result of lower spending on bulk purchases.

June 2018

June 2018

Cost/Revaluation

Heritage assets

| | | | | | | | | | | | | | | |
|-----------|----------------|---|---|---|---|---|----------------|---|---|---|---|---|---|----------------|
| Buildings | 538,949 | - | - | - | - | - | 538,949 | - | - | - | - | - | - | 538,949 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 538,949 | - | - | - | - | - | 538,949 | - | - | - | - | - | - | 538,949 |

[illegible]

Other assets

| | | | | | | | | | | | | | | |
|--|------------|---|---|---|---|---|------------|--------------|---|---|-------------|--------------|--------------|------------|
| Housing | 46,596,237 | - | - | - | - | - | 46,596,237 | (17,050,494) | - | - | (337,837) | (24,776,265) | (42,164,596) | 4,431,641 |
| Operational buildings | 49,854,696 | - | - | - | - | - | 49,854,696 | (23,370,927) | - | - | (1,200,856) | - | (24,571,783) | 25,282,913 |
| Computer Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Computer Software (part of computer equipment) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Furniture & Fittings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Office Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Office Equipment - Leased | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Abattoirs | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Markets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Airports | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Security measures | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Civic land and buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other land | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Bins and Containers | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Work in progress | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets - Leased | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Surplus Assets - (Investment or Inventory) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Housing development | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 96,450,933 | - | - | - | - | - | 96,450,933 | (40,421,421) | - | - | (1,538,693) | (24,776,265) | (66,736,379) | 29,714,554 |

June 2018

Cost/Revaluation

Total property plant and equipment

Bela Bela Local Municipality
Bela Bela Local Municipality
Appendix B

| Analysis of property, plant and equipment as at 30 June 2017 | |
|--|--------------------------|
| Cost/Revaluation | Accumulated depreciation |

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Derecognition Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|--|----------------------|----------------|----------------|----------------|-------------------|-------------------------------|----------------------|----------------------|----------------|--------------------|-------------------|----------------------|----------------------|---------------------|
| | | | | | | | | | | | | | | |
| Land and buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Infrastructure | | | | | | | | | | | | | | |
| Electrical infrastructure | 121,445,439 | - | - | - | - | - | 121,445,439 | (75,399,209) | - | - | (2,749,663) | (252,542) | (78,401,414) | 43,044,025 |
| Roads infrastructure | 281,703,343 | 14,801,868 | - | - | - | - | 296,505,211 | (104,766,690) | - | (286,493) | (18,162,547) | (6,628) | (123,222,358) | 173,282,853 |
| Sanitation infrastructure | 189,743,000 | 4,797,037 | - | - | - | - | 194,540,037 | (127,101,447) | - | - | (2,720,564) | - | (129,822,011) | 64,718,026 |
| Solid waste Infrastructure | 15,700,765 | - | - | - | - | 10,704,235 | 26,405,000 | (4,424,510) | - | - | (900,843) | - | (5,325,353) | 21,079,647 |
| Water supply infrastructure | 268,284,353 | 24,564,161 | - | - | - | - | 292,848,514 | (155,903,372) | - | (2,771,871) | (5,124,166) | (66,513) | (163,865,922) | 128,982,592 |
| Storm Water infrastructure | 96,961,548 | 12,628,091 | - | - | - | - | 109,589,639 | (61,785,658) | - | - | (1,857,724) | - | (63,643,382) | 45,946,257 |
| Water purification | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reticulation | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reticulation | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sewerage purification | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Housing | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Waste Management | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gas | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other (fibre optic, WIFI infrastrucur) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other 1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 973,838,448 | 56,791,157 | - | - | - | 10,704,235 | 1,041,333,840 | (529,380,886) | - | (3,058,364) | (31,515,507) | (325,683) | (564,280,440) | 477,053,400 |
| Community Assets | | | | | | | | | | | | | | |
| Parks & gardens | 56,034,269 | 14,938,914 | - | - | - | - | 70,973,183 | (29,678,607) | (938,168) | (517,368) | (2,165,512) | (237,575) | (33,537,230) | 37,435,953 |
| Sportsfields and stadium | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Swimming pools | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Community halls | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Libraries | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Recreational facilities | 11,083,133 | 6,047,571 | - | - | - | - | 17,130,704 | (6,280,248) | - | - | (320,092) | - | (6,600,340) | 10,530,364 |
| Clinics | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Museums & art galleries | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Social rental housing | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cemeteries | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fire, safety & emergency | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Security and policing | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Buses | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 67,117,402 | 20,986,485 | - | - | - | - | 88,103,887 | (35,958,855) | (938,168) | (517,368) | (2,485,604) | (237,575) | (40,137,570) | 47,966,317 |

June 2018

Cost/Revaluation

Heritage assets

| | | | | | | | | | | | | | | |
|-----------|----------------|---|---|---|---|---|----------------|---|---|---|---|---|---|----------------|
| Buildings | 538,949 | - | - | - | - | - | 538,949 | - | - | - | - | - | - | 538,949 |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 538,949 | - | - | - | - | - | 538,949 | - | - | - | - | - | - | 538,949 |

[illegible]

Other assets

| | | | | | | | | | | | | | | |
|--|------------|---|---|---|---|---|------------|--------------|---|---|-------------|---|--------------|------------|
| Housing | 21,819,971 | - | - | - | - | - | 21,819,971 | (17,050,494) | - | - | - | - | (17,050,494) | 4,769,477 |
| Operational Housing | 49,531,632 | - | - | - | - | - | 49,531,632 | (22,170,071) | - | - | (1,200,856) | - | (23,370,927) | 26,160,705 |
| Computer Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Computer Software (part of computer equipment) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Furniture & Fittings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Office Equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Office Equipment - Leased | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Abattoirs | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Markets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Airports | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Security measures | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Civic land and buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other land | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Bins and Containers | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Work in progress | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets - Leased | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Surplus Assets - (Investment or Inventory) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Housing development | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 71,351,603 | - | - | - | - | - | 71,351,603 | (39,220,565) | - | - | (1,200,856) | - | (40,421,421) | 30,930,182 |

June 2018

Cost/Revaluation

Total property plant and equipment

| | | | | | | | | | | | | | | |
|----------------------|---------------|------------|---|---|---|------------|---------------|---------------|-----------|-------------|--------------|-----------|---------------|-------------|
| Land and buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Infrastructure | 973,838,448 | 56,791,157 | - | - | - | 10,704,235 | 1,041,333,840 | (529,380,886) | - | (3,058,364) | (31,515,507) | (325,683) | (564,280,440) | 477,053,400 |
| Community Assets | 67,117,402 | 20,986,485 | - | - | - | - | 88,103,887 | (35,958,855) | (938,168) | (517,368) | (2,485,604) | (237,575) | (40,137,570) | 47,966,317 |
| Heritage assets | 538,949 | - | - | - | - | - | 538,949 | - | - | - | - | - | - | 538,949 |
| Specialised vehicles | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | 71,351,603 | - | - | - | - | - | 71,351,603 | (39,220,565) | - | - | (1,200,856) | - | (40,421,421) | 30,930,182 |
| | 1,112,846,402 | 77,777,642 | - | - | - | 10,704,235 | 1,201,328,279 | (604,560,306) | (938,168) | (3,575,732) | (35,201,967) | (563,258) | (644,839,431) | 556,488,848 |

[illegible]

Intangible assets

| | | | | | | | | | | | | | | |
|------------|----------------|---|---|---|---|---|----------------|---|---|---|---|---|---|----------------|
| Servitutes | 645,664 | - | - | - | - | - | 645,664 | - | - | - | - | - | - | 645,664 |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 645,664 | - | - | - | - | - | 645,664 | - | - | - | - | - | - | 645,664 |

Investment properties

| | | | | | | | | | | | | | | |
|---------------------|--------------------|---|---|---|---|-------------------|--------------------|---|---|---|---|---|---|--------------------|
| Investment property | 343,027,146 | - | - | - | - | 12,278,940 | 355,306,086 | - | - | - | - | - | - | 355,306,086 |
| | 343,027,146 | - | - | - | - | 12,278,940 | 355,306,086 | - | - | - | - | - | - | 355,306,086 |

Total

| | | | | | | | | | | | | | | |
|--------------------------------|---------------|------------|---|---|---|------------|---------------|---------------|-----------|-------------|--------------|-----------|---------------|-------------|
| Land and buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Infrastructure | 973,838,448 | 56,791,157 | - | - | - | 10,704,235 | 1,041,333,840 | (529,380,886) | - | (3,058,364) | (31,515,507) | (325,683) | (564,280,440) | 477,053,400 |
| Community Assets | 67,117,402 | 20,986,485 | - | - | - | - | 88,103,887 | (35,958,855) | (938,168) | (517,368) | (2,485,604) | (237,575) | (40,137,570) | 47,966,317 |
| Heritage assets | 538,949 | - | - | - | - | - | 538,949 | - | - | - | - | - | - | 538,949 |
| Specialised vehicles | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | 71,351,603 | - | - | - | - | - | 71,351,603 | (39,220,565) | - | - | (1,200,856) | - | (40,421,421) | 30,930,182 |
| Agricultural/Biological assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intangible assets | 645,664 | - | - | - | - | - | 645,664 | - | - | - | - | - | - | 645,664 |
| Investment properties | 343,027,146 | - | - | - | - | 12,278,940 | 355,306,086 | - | - | - | - | - | - | 355,306,086 |
| | 1,456,519,212 | 77,777,642 | - | - | - | 22,983,175 | 1,557,280,029 | (604,560,306) | (938,168) | (3,575,732) | (35,201,967) | (563,258) | (644,839,431) | 912,440,559 |

June 2018

| Current year 2017 Act. Bal. | Current year 2017 Adjusted budget Rand | Variance Rand | Var | Explanation of Significant Variances greater than 10% versus Budget |
|-----------------------------------|--|----------------------|-----|--|
|-----------------------------------|--|----------------------|-----|--|

| | | | | |
|-----------|---------------|---------------|-------------|-----|
| Personnel | (128,135,818) | (126,068,896) | (2,066,922) | 1.6 |
|-----------|---------------|---------------|-------------|-----|

June 2018

| Current year 2017 Act. Bal. | Current year 2017 Adjusted budget | Variance | | Explanation of Significant Variances greater than 10% versus Budget |
|-----------------------------------|--|---------------|--------|---|
| - | - | - | - | |
| (9,435,849) | (7,576,088) | (1,859,761) | 24.5 | |
| - | - | - | - | |
| (34,032,751) | (31,283,004) | (2,749,747) | 8.8 | The variance is as result of additional depreciable assets being recognised during the year. |
| - | - | - | - | |
| (269,938) | (717,000) | 447,062 | (62.4) | The variance is as result of new impairment recognised during the year in terms of GRAP standard. |
| (24,776,266) | - | (24,776,266) | - | |
| - | - | - | - | |
| (12,295,197) | (3,999,996) | (8,295,201) | 207.4 | The variance is attributable to increased interest on long services award and landfill |
| (32,245,168) | (17,100,100) | (15,145,068) | 88.6 | The variance is as a result of increased write off which were identified as irrecoverable. |
| - | - | - | - | |
| - | - | - | - | |
| (6,214,624) | (22,609,968) | 16,395,344 | (72.5) | Municipality incurred more than that of previous year as part of the plan in the renewal programme of the infrastructure. |
| - | - | - | - | |
| (88,088,234) | (97,495,004) | 9,406,770 | (9.6) | The decrease was as a result of lower spending on bulk purchases |
| - | - | - | - | |
| - | - | - | - | |
| - | - | - | - | |
| (78,410,733) | (89,597,580) | 11,186,847 | (12.5) | |
| - | - | - | - | |
| - | - | - | - | |
| - | - | - | - | |
| - | - | - | - | |
| (413,904,578) | (396,447,636) | (17,456,942) | 4.4 | |
| (50,399,271) | (99,996) | (50,299,275) | 301.3 | |
| - | - | - | - | |
| 3,592,232 | - | 3,592,232 | - | |
| - | - | - | - | |
| - | - | - | - | |
| - | - | - | - | |
| - | - | - | - | |
| (46,807,039) | (99,996) | (46,707,043) | 708.9 | |
| (288,631,434) | (184,185,684) | (104,445,750) | 56.7 | |

Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2018

| | 2018/2017 | | | | | | | | 2017/2016 | | | | | | |
|--|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|--|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget Rand | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue - Functional | | | | | | | | | | | | | | | |
| Municipal governance and administration | 200,269,000 | 20,756,000 | 221,025,000 | - | | 221,025,000 | - | | (221,025,000) | - % | - % | | | | - |
| Executive and council | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Finance and administration | 198,604,000 | 20,398,000 | 219,002,000 | - | | 219,002,000 | - | | (219,002,000) | - % | - % | | | | - |
| Corporate services | 1,665,000 | 358,000 | 2,023,000 | - | | 2,023,000 | - | | (2,023,000) | - % | - % | | | | - |
| Community and public safety | 581,000 | - | 581,000 | - | | 581,000 | - | | (581,000) | - % | - % | | | | - |
| Community and social services | 580,000 | - | 580,000 | - | | 580,000 | - | | (580,000) | - % | - % | | | | - |
| Sport and recreation | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Public safety | 1,000 | - | 1,000 | - | | 1,000 | - | | (1,000) | - % | - % | | | | - |
| Housing | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Health | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Economic and environmental services | 28,897,000 | - | 28,897,000 | - | | 28,897,000 | - | | (28,897,000) | - % | - % | | | | - |
| Planning and development | 2,593,000 | - | 2,593,000 | - | | 2,593,000 | - | | (2,593,000) | - % | - % | | | | - |
| Road transport | 26,304,000 | - | 26,304,000 | - | | 26,304,000 | - | | (26,304,000) | - % | - % | | | | - |
| Environmental protection | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Trading services | 251,907,000 | (21,829,000) | 230,078,000 | - | | 230,078,000 | - | | (230,078,000) | - % | - % | | | | - |
| Electricity | 151,749,000 | 1,429,000 | 153,178,000 | - | | 153,178,000 | - | | (153,178,000) | - % | - % | | | | - |
| Water | 80,676,000 | (15,772,000) | 64,904,000 | - | | 64,904,000 | - | | (64,904,000) | - % | - % | | | | - |
| Waste water management | 19,457,000 | (7,486,000) | 11,971,000 | - | | 11,971,000 | - | | (11,971,000) | - % | - % | | | | - |
| Waste management | 25,000 | - | 25,000 | - | | 25,000 | - | | (25,000) | - % | - % | | | | - |
| Other | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Other | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Total Revenue - Functional | 481,654,000 | (1,073,000) | 480,581,000 | - | | 480,581,000 | - | | (480,581,000) | - % | - % | | | | - |

Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2018

| | 2018/2017 | | | | | | | 2017/2016 | | | | | | | |
|-------------------------------------|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|--|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Budget Rand | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | | Rand | Rand | Rand | Rand | Rand | Rand |
| | | | | | | | | | | | | | | | |
| Expenditure - Functional | | | | | | | | | | | | | | | |
| Governance and administration | 179,350,000 | (16,201,000) | 163,149,000 | - | - | 163,149,000 | - | - | (163,149,000) | - % | - % | - | - | - | - |
| Executive and council | 22,471,000 | 501,000 | 22,972,000 | - | - | 22,972,000 | - | - | (22,972,000) | - % | - % | - | - | - | - |
| Budget and treasury office | 71,830,000 | (2,618,000) | 69,212,000 | - | - | 69,212,000 | - | - | (69,212,000) | - % | - % | - | - | - | - |
| Corporate services | 85,049,000 | (14,084,000) | 70,965,000 | - | - | 70,965,000 | - | - | (70,965,000) | - % | - % | - | - | - | - |
| Community and public safety | 42,153,000 | 545,000 | 42,698,000 | - | - | 42,698,000 | - | - | (42,698,000) | - % | - % | - | - | - | - |
| Community and social services | 24,517,000 | 1,045,000 | 25,562,000 | - | - | 25,562,000 | - | - | (25,562,000) | - % | - % | - | - | - | - |
| Sport and recreation | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Public safety | 17,636,000 | (500,000) | 17,136,000 | - | - | 17,136,000 | - | - | (17,136,000) | - % | - % | - | - | - | - |
| Housing | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Health | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Economic and environmental services | 33,845,000 | 7,580,000 | 41,425,000 | - | - | 41,425,000 | - | - | (41,425,000) | - % | - % | - | - | - | - |
| Planning and development | 3,520,000 | 9,080,000 | 12,600,000 | - | - | 12,600,000 | - | - | (12,600,000) | - % | - % | - | - | - | - |
| Road transport | 30,325,000 | (1,500,000) | 28,825,000 | - | - | 28,825,000 | - | - | (28,825,000) | - % | - % | - | - | - | - |
| Environmental protection | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Trading services | 138,304,000 | 7,526,000 | 145,830,000 | - | - | 145,830,000 | - | - | (145,830,000) | - % | - % | - | - | - | - |
| Electricity | 95,901,000 | 2,205,000 | 98,106,000 | - | - | 98,106,000 | - | - | (98,106,000) | - % | - % | - | - | - | - |
| Water | 23,603,000 | 2,386,000 | 25,989,000 | - | - | 25,989,000 | - | - | (25,989,000) | - % | - % | - | - | - | - |
| Waste water management | 18,800,000 | 2,935,000 | 21,735,000 | - | - | 21,735,000 | - | - | (21,735,000) | - % | - % | - | - | - | - |
| Waste management | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Total Expenditure - Functional | 393,652,000 | (550,000) | 393,102,000 | - | - | 393,102,000 | - | - | (393,102,000) | - % | - % | - | - | - | - |
| Surplus/(Deficit) for the year | 88,002,000 | (523,000) | 87,479,000 | - | | 87,479,000 | - | | (87,479,000) | - % | - % | | | | |

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2018

| | 2018/2017 | | | | | | | 2017/2016 | | | | | | | |
|---|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|--|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget Rand | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue By Source | | | | | | | | | | | | | | | |
| Property rates | 80,199,000 | (1,073,000) | 79,126,000 | - | | 79,126,000 | - | | (79,126,000) | - % | - % | | | | 62,467,982 |
| Service charges - electricity revenue | 124,567,000 | - | 124,567,000 | - | | 124,567,000 | - | | (124,567,000) | - % | - % | | | | 102,848,230 |
| Service charges - water revenue | 26,979,000 | - | 26,979,000 | - | | 26,979,000 | - | | (26,979,000) | - % | - % | | | | 23,259,071 |
| Service charges - sanitation revenue | 16,143,000 | - | 16,143,000 | - | | 16,143,000 | - | | (16,143,000) | - % | - % | | | | 14,862,227 |
| Service charges - refuse revenue | 9,969,000 | - | 9,969,000 | - | | 9,969,000 | - | | (9,969,000) | - % | - % | | | | 6,073,808 |
| Service charges - other | 1,123,000 | - | 1,123,000 | - | | 1,123,000 | - | | (1,123,000) | - % | - % | | | | - |
| Rental of facilities and equipment | 1,813,000 | - | 1,813,000 | - | | 1,813,000 | - | | (1,813,000) | - % | - % | | | | 1,099,298 |
| Interest earned - external investments | 1,510,000 | - | 1,510,000 | - | | 1,510,000 | - | | (1,510,000) | - % | - % | | | | 2,583,439 |
| Interest earned - outstanding debtors | 9,850,000 | - | 9,850,000 | - | | 9,850,000 | - | | (9,850,000) | - % | - % | | | | 7,896,040 |
| Dividends received | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Fines | 25,000,000 | - | 25,000,000 | - | | 25,000,000 | - | | (25,000,000) | - % | - % | | | | 12,756,400 |
| Licences and permits | 16,500,000 | - | 16,500,000 | - | | 16,500,000 | - | | (16,500,000) | - % | - % | | | | 3,256,242 |
| Agency services | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Transfers and subsidies | 77,639,000 | - | 77,639,000 | - | | 77,639,000 | - | | (77,639,000) | - % | - % | | | | - |
| Other revenue | 4,059,000 | - | 4,059,000 | - | | 4,059,000 | - | | (4,059,000) | - % | - % | | | | 16,791,927 |
| Gains on disposal of PPE | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | (745,348) |
| Total Revenue (excluding capital transfers and contributions) | 395,351,000 | (1,073,000) | 394,278,000 | - | | 394,278,000 | - | | (394,278,000) | - % | - % | | | | 253,149,316 |

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2018

| | 2018/2017 | | | | | | | 2017/2016 | | | | | | | |
|---|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|--|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget Rand | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| | | | | | | | | | | | | | | | |
| Expenditure By Type | | | | | | | | | | | | | | | |
| Employee related costs | 119,752,000 | - | 119,752,000 | - | - | 119,752,000 | - | - | (119,752,000) | - % | - % | - | - | - | 109,988,983 |
| Remuneration of councillors | 6,947,000 | - | 6,947,000 | - | - | 6,947,000 | - | - | (6,947,000) | - % | - % | - | - | - | 6,618,101 |
| Debt impairment | 15,000,000 | 2,100,000 | 17,100,000 | | - | 17,100,000 | - | - | (17,100,000) | - % | - % | - | - | - | 32,309,464 |
| Depreciation & asset impairment | 32,000,000 | - | 32,000,000 | | - | 32,000,000 | - | - | (32,000,000) | - % | - % | - | - | - | 49,274,284 |
| Finance charges | 4,000,000 | - | 4,000,000 | - | - | 4,000,000 | - | - | (4,000,000) | - % | - % | - | - | - | 10,317,130 |
| Bulk purchases | 94,595,000 | 2,900,000 | 97,495,000 | - | - | 97,495,000 | - | - | (97,495,000) | - % | - % | - | - | - | 86,265,805 |
| Other materials | 30,602,000 | (4,350,000) | 26,252,000 | - | - | 26,252,000 | - | - | (26,252,000) | - % | - % | - | - | - | - |
| Contracted services | 26,188,000 | (3,600,000) | 22,588,000 | - | - | 22,588,000 | - | - | (22,588,000) | - % | - % | - | - | - | - |
| Transfers and subsidies | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Other expenditure | 64,468,000 | 2,399,000 | 66,867,000 | - | - | 66,867,000 | - | - | (66,867,000) | - % | - % | - | - | - | (11,086,531) |
| Loss on disposal of PPE | 100,000 | - | 100,000 | - | - | 100,000 | - | - | (100,000) | - % | - % | - | - | - | - |
| Total Expenditure | 393,652,000 | (551,000) | 393,101,000 | - | - | 393,101,000 | - | - | (393,101,000) | - % | - % | - | - | - | 283,687,236 |
| Surplus/(Deficit) | 1,699,000 | (522,000) | 1,177,000 | - | | 1,177,000 | - | | (1,177,000) | - % | - % | | | | (30,537,920) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 86,304,000 | - | 86,304,000 | - | | 86,304,000 | - | | (86,304,000) | - % | - % | | | | - |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Transfers and subsidies - capital (in-kind - all) | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Surplus/(Deficit) after capital transfers & contributions | 88,003,000 | (522,000) | 87,481,000 | - | | 87,481,000 | - | | (87,481,000) | - % | - % | | | | (30,537,920) |
| Taxation | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Surplus/(Deficit) after taxation | 88,003,000 | (522,000) | 87,481,000 | - | | 87,481,000 | - | | (87,481,000) | - % | - % | | | | (30,537,920) |
| Attributable to minorities | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Surplus/(Deficit) attributable to municipality | 88,003,000 | (522,000) | 87,481,000 | - | | 87,481,000 | - | | (87,481,000) | - % | - % | | | | (30,537,920) |
| Share of surplus/ (deficit) of associate | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Surplus/(Deficit) for the year | 88,003,000 | (522,000) | 87,481,000 | - | | 87,481,000 | - | | (87,481,000) | - % | - % | | | | (30,537,920) |